

interpreted and construed so as to avoid conflicts with the Ordinances, Price Schedules and the PSRY Rules and Regulations. In the event of any conflict between Sections 6 and 8 of this Agreement and the provisions of Settlement Agreements between the Port and its contractors, the Settlement Agreement terms shall prevail.

15.10 Confidentiality. Port acknowledges that Contractor will, pursuant to this Agreement, disclose to Port records and financial information of a confidential and proprietary nature. Port agrees, to the extent permitted under URS 192.001 et seq. and other applicable laws to maintain the confidentiality of financial information relating to Contractor's business which is furnished to Port.

15.11 Entire Agreement. This Agreement constitutes the entire understanding of the parties relating to Contractor's use of facilities of the PSRY (other than: (i) the December 14, 1989 agreement relating to wet berth sandblasting procedures and (ii) any Lease between Port and Contractor, which agreements shall continue to govern Contractor's use of the portion of the PSRY covered by such agreements). All negotiations, proposals and agreements prior to the date of this Agreement are merged into and superseded by this Agreement. No changes, modification or amendments to this Agreement shall be valid unless agreed to by the parties in writing.

15.12 Costs of Containing Fires and Other Catastrophes. Contractor shall upon demand reimburse Port for all costs incurred by Port for the containment, suppression and mitigation of fires,

explosions and other catastrophes arising in any manner out of the activities of Contractor, its subcontractors, employees and ship owners for whom Contractor is performing work. Costs to be reimbursed shall include, without limitation, charges of fire-fighting agencies, costs of additional security, and costs of emergency medical care.

15.13 Effective Date. This Agreement shall become effective October 1, 1990, or on November 1, 1990, at the discretion of the Port. Pending the effective date of this Agreement, the existing use agreement shall remain in force.

IN WITNESS WHEREOF, the parties hereto have executed this Facility Agreement this 18 day of October, 1990.

CASCADE GENERAL, INC.

By Loef Kahler

By Stephen H. Anderson

THE PORT OF PORTLAND

By Robert Woodell
EXECUTIVE DIRECTOR

By Dale Swensen
Assistant Secretary

APPROVED AS TO FORM

Art Wick
Counsel for
The Port of Portland

08/31/90
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APPROVED BY COMMISSION

ON 9-12 19 90

Cascade

THE PORT OF PORTLAND
PORTLAND SHIP REPAIR YARD
FACILITY AGREEMENT

TABLE OF CONTENTS

	<u>Page</u>
SECTION 1 - DEFINITIONS	2
SECTION 2 - TERM	4
SECTION 3 - CONTRACTOR'S USE OF THE PSRY FACILITIES	
3.1 Common User Rights	4
3.2 Signs	5
3.3 Ingress and Egress	5
3.4 Suppliers	6
3.5 Labor Disputes	6
SECTION 4 - CONTRACTOR'S OBLIGATIONS	
4.1 Repair of Damage	7
4.2 Use of the PSRY by Ship Owners	7
4.3 Use of Portable Equipment	7
4.4 Removal of Equipment	7
4.5 Contractor's Maintenance	8
4.6 Compliance with Laws	8
4.7 Hazardous Substances	9
4.8 Rules and Regulations - Portland Prime Ship Repair Contractors Panel	11
4.9 Cooperation	12
SECTION 5 - PORT'S RIGHTS AND OBLIGATIONS	
5.1 Maintenance and Operation of the PSRY	13
5.2 First Aid and Security	13
5.3 Port's Inspection Rights	13
SECTION 6 - FEES AND CHARGES	
6.1 Amount	14
6.2 Submission of Gross Billings Report	15
6.3 Facility Fees	16
6.4 Estimated Payments of Facility Fees	16
6.5 Price Schedule Charges	17
6.6 Late Payments	17
6.7 Billing Disputes	18
6.8 Discounts	18
SECTION 7 - BOOKS AND RECORDS	
7.1 Contractor Records	18
7.2 Audit and Inspection Rights	19
7.3 Financial Information/Submission of Information	19
SECTION 8 - SECURITY ARRANGEMENTS	20
SECTION 9 - INDEMNITY	21

	<u>Page</u>
SECTION 10 - INSURANCE	
10.1 Policies To Be Carried	23
10.2 General Insurance Requirements	25
10.3 Certificate of Insurance	25
SECTION 11 - DEFAULT AND TERMINATION	
11.1 Event of Default	26
11.2 Rights on Default	28
11.3 Rights of Port on Termination or Suspension	30
SECTION 12 - TERMINATION AND SUSPENSION	
12.1 Termination at Option of Port	30
12.2 Termination at Option of Contractor	30
12.3 Suspension by Port	31
SECTION 13 - CONDITION ON TERMINATION	31
SECTION 14 - ARBITRATION	32
SECTION 15 - GENERAL PROVISIONS	
15.1 Assignment	35
15.2 Nonwaiver	35
15.3 Advances by Port	36
15.4 Statutory Provisions	36
15.5 Headings	36
15.6 Approval or Direction by Port	36
15.7 Favored Nations	37
15.8 Notices	37
15.9 Conflicts	37
15.10 Confidentiality	38
15.11 Entire Agreement	38
15.12 Costs of Containing Fires and Other Catastrophes	38
15.13 Effective Date	39

EXHIBIT A Statement of Contractor's Gross Billings

08/31/90

THE PORT OF PORTLAND
PORTLAND SHIP REPAIR YARD
FACILITY AGREEMENT

THIS AGREEMENT, made and entered into this 12th day of September, 1990, by and between THE PORT OF PORTLAND, a Port District of the State of Oregon, hereinafter referred to as "Port", and Cascade General Inc., a corporation organized and existing under the laws of the State of Oregon, hereinafter referred to as "Contractor."

W I T N E S S E T H:

WHEREAS, the Port is the owner of the Portland Ship Repair Yard (the "PSRY"), located in the County of Multnomah, State of Oregon;

WHEREAS, Port desires to operate the PSRY as an economically self-sufficient facility used in common by prime ship repair contractors and other users compatible with the ship repair business; and

WHEREAS, Contractor is a prime ship repair contractor and desires to use the PSRY, in common with other users, for the conduct of ship repair activities.

NOW, THEREFORE, in consideration of the covenants and

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conditions hereinafter contained to be kept and performed by the respective parties, the parties agree as follows:

SECTION 1 - DEFINITIONS.

The following terms, as used herein, shall have the following meanings:

1.1 "Environmental Law" shall mean any federal, state or local statute regulation or ordinance or governmental order pertaining to protection of health, safety or the environment.

1.2 "Fiscal Year" shall mean the period from July 1 of a calendar year through June 30 of the following calendar year.

1.3 "Gross Billings" shall mean all amounts charged by Contractor for work which is accomplished or initiated in whole or in part in the PSRY (including, without limitation, ship repair, maintenance, conversion or construction work and industrial fabrication work), less: (i) Price Schedule Charges paid by Contractor to Port billed by Contractor as part of Gross Billings and (ii) amounts billed by Contractor and later written off as bad debts. Bad debts written off and later recovered shall be included in Gross Billings when recovered. Gross Billings include charges made by Contractor for subcontractors, subsidiaries or affiliated companies, vendors and other suppliers of goods and services.

1.4 "Hazardous Substance" shall mean any hazardous, toxic, infectious or radioactive substance, waste and material as defined or listed by any Environmental Law and shall include, without limitation, petroleum oil and its fractions, and any and all hazardous or dangerous waste as defined or listed under the Resource Conservation and Recovery Act, as amended ("RCRA") and any comparable state statute or any regulation promulgated under RCRA or such state statute.

1.5 "Lease" means any separate lease between Port and Contractor, for the exclusive use by Contractor of a specific portion of the PSRY, which may be in effect from time to time.

1.6 "Ordinances" means all ordinances of the Port now in force or hereafter adopted.

1.7 "Price Schedules" means Port Tariff 37-B and any replacement or additional Price Schedules approved from time to time by the Port, pursuant to procedures in Section 4.8, establishing Price Schedule Charges for use of the PSRY facilities.

1.8 "Prime Ship Repair Contractor" is a business or company engaged in ship repair, conversion, or construction in Portland, Oregon, using the facilities of the PSRY and charging for such services directly to the ship owner or operator.

1.9 "Project" means the work and services involved in performing ship repair, maintenance, conversion or construction services to a

vessel and industrial fabrication activities.

1.10 The "PSRY" means the Portland Ship Repair Yard, which is owned and operated by the Port.

1.11 The "PSRY Rules and Regulations" means rules and regulations approved from time to time, pursuant to procedures in Section 4.8, by the Executive Director of the Port or his designee to govern activities at, and establish procedures for utilization of, the PSRY.

SECTION 2 - TERM.

2.1 The term of this Agreement shall commence as of the date provided in Section 15.13 and continue through June 30, 1993, unless sooner terminated as provided herein.

2.2 This Agreement may be terminated upon written notice by either party, sixty days prior to the first anniversary of this agreement.

SECTION 3 - CONTRACTOR'S USE OF THE PSRY FACILITIES.

3.1 Common User Rights. Subject to the terms and provisions hereof and of the PSRY Rules and Regulations and Ordinances, Contractor, in common with all other Prime Ship Repair Contractors and other users authorized by the Port to utilize the PSRY, may utilize the PSRY and its appurtenances for the purpose of conducting

Contractor's business of ship construction, repair, maintenance and conversion and industrial fabrication. Contractor is not entitled under this Agreement to exclusive use of any part of the PSRY, except facilities at the PSRY under exclusive lease between Contractor and Port or to any priority of usage vis a vis other Prime Ship Repair Contractors and the PSRY users. Port may, in its discretion, allow other users to use the PSRY in common with Contractor, and establish the PSRY Rules and Regulations, in accordance with the procedures provided in Section 4.8, to manage and coordinate joint usage of the PSRY and establish priorities between users.

3.2 Signs. Contractor shall not erect or maintain signs or identification, except pre-existing signs and identification, at the PSRY without the prior written consent of the Port. Prior to the erection, construction, or placing of any signs or identification at the PSRY, Contractor shall submit to the Port, for its approval in writing, drawings, sketches, designs and dimensions of the identification and information as to the type and character of such identification. Such signs and identification shall be removed by Contractor upon Contractor's vacation of the PSRY premises, and if not removed by Contractor may be removed by Port at Contractor's expense.

3.3 Ingress and Egress. Subject to and in accordance with all applicable laws, Ordinances and the PSRY Rules and Regulations, Contractor shall have the right of access over the roads, ways, and common areas of the PSRY for its agents, servants, or employees and patrons, invitees, its suppliers of material, fuel and furnishers of

services, and its equipment, vehicles, and machinery for the purposes of: (i) ingress to and egress from any premises it might occupy in the PSRY pursuant to a Lease between the Port and the Contractor, and (ii) for the performance of its ship repair business conducted at the PSRY.

3.4 Suppliers. Contractor shall be free, at all times, to select suppliers, subcontractors, surveyors, and furnishers of materials, supplies, equipment, and services of its own choosing, provided, however, that nothing herein shall prohibit Port from barring from the PSRY persons or entities which fail to comply with applicable laws, Ordinances and the PSRY Rules and Regulations. The Port shall provide reasonable notice to the Contractor and the affected subcontractor and an opportunity to cure prior to barring the subcontractor.

3.5 Labor Disputes. If, in connection with a labor dispute between Contractor and its employees or a union, concerted activity by employees or union representatives interferes with access to the PSRY, Port may take such action as it deems reasonable to secure the PSRY premises and prevent disruption of activities at the PSRY, including providing a separate entrance gate at the PSRY for the exclusive use of Contractor. If Port so provides a separate entrance gate, Contractor, its employees, customers, invitees, vendors and agents shall, during the pendency of such labor dispute, use such alternative separate entrance gate to obtain access to the PSRY. The Contractor shall reimburse Port for Port's costs of additional security, special signage and additional fencing relating to such labor dispute.

SECTION 4 - CONTRACTOR'S OBLIGATIONS:

4.1 Repair of Damage. Contractor shall, at Port's direction either: (i) promptly repair, at Contractor's expense, to Port's satisfaction, or (ii) reimburse Port for Port's actual cost subject to comparable bids, of repairing all damage to the PSRY facilities and equipment caused by Contractor, its employees, subcontractors, ship owners or agents, licenses and invitees, provided that Contractor shall not be responsible for normal wear and tear and depreciation of the PSRY facilities or normal mechanical malfunctions which do not result from use of facilities for other than their intended purpose and within their rated capacities.

4.2 Use of the PSRY by Ship Owners. Contractor agrees to inform ship owners and their agents, that work performed on vessels at the PSRY can only be undertaken by Prime Ship Repair Contractors which have authority from the Port to operate at the PSRY or their subcontractors. This limitation shall not be interpreted to prohibit work to be performed by the ship owner's or operator's personnel.

4.3 Use of Portable Equipment. Contractor shall not bring into or operate portable cranes not owned by Port in the PSRY without prior written authorization from Port.

4.4 Removal of Equipment. Contractor shall promptly remove any materials, supplies, equipment, or other items used by Contractor from common areas of the PSRY. Should Contractor fail to remove any of its

materials, supplies, equipment or other items within 24 hours after Contractor's use of such items on a Project is completed, the Port may, but shall not be obligated to, cause the removal of such items, and Contractor agrees to reimburse the Port for all reasonable costs of such removal upon billing by Port. Contractor further hereby releases the Port from any and all claims for damage to the material or any other claims arising from or in any way connected with such removal by the Port. Nothing in this Section shall prohibit Contractor from storing materials at portions of the PSRY which are occupied exclusively by Contractor pursuant to a Lease, to the extent permitted by such Lease.

4.5 Contractor's Maintenance. Contractor shall maintain and keep those common areas of the PSRY used by Contractor, its employees and subcontractors, in a neat, clean and orderly condition, free of litter, debris, refuse, petroleum products or grease that may result from the use of such areas in its activities. Should Contractor fail to keep the areas used by it and its employees and subcontractors in a clean and orderly condition, the Port may, but shall not be obligated to, remove such litter and debris. Contractor shall reimburse Port for its costs of removing such litter and debris upon billing by Port.

4.6 Compliance with Laws. Contractor shall comply with all applicable federal, state and local laws, regulations, ~~and standards~~, including without limitation those governing labor, environment safety, health and sanitation and agrees to indemnify, defend and hold harmless Port from any and all claims, demands, losses, costs,

expenses or damages, including attorneys' fees and related legal expenses, which may result from Contractor's failure to comply with such laws, regulations and standards.

4.7 Hazardous Substances.

(a) Use of Hazardous Substances. Contractor shall not cause or permit any Hazardous Substance to be spilled, leaked, disposed of or otherwise released on or under the PSRY premises. Contractor may use at the PSRY only those Hazardous Substances typically used in prudent and safe conduct of the activities permitted under this Agreement. All such Hazardous Substances brought into the PSRY shall be kept in original containers in good condition with no leaks, bulges or other damage, and all such containers shall be clearly labeled to disclose their contents and Contractor's identity. Such containers shall be kept securely closed at all times, except as necessary to add or remove contents, and shall be kept in areas protected from vehicular traffic and other hazards. No Hazardous Substance shall be treated or disposed of on the PSRY premises. Contractor shall comply with all Environmental Laws and exercise the highest degree of care in the use, handling and storage of Hazardous Substances and shall take all practicable measures to minimize the quantity and toxicity of Hazardous Substances brought into, used, or handled in the PSRY.

(b) Notices. Contractor shall ~~immediately~~ notify the Port upon becoming aware of the following: (i) any spill, leak, disposal or other release of a Hazardous Substance on, under or adjacent to the PSRY or reasonable suspicion of the same; (ii) any notice or communication from a governmental agency or any other person relating to any Hazardous Substance on, under or adjacent to the PSRY; or (iii) any violation of any Environmental Law with respect to Contractor's activities on or in connection with the PSRY.

(c) Remedial Action. In the event of a leak, spill or release of a Hazardous Substance on or adjacent to the PSRY premises by Contractor, its subcontractors and agents, or the ~~owner or operator of any vessel on which Contractor is working,~~ Contractor shall immediately undertake all emergency response necessary to contain, cleanup and remove the Hazardous Substance and shall undertake within a reasonable time all investigatory, remedial and/or removal action necessary or appropriate to ensure that any contamination by the Hazardous Substance is eliminated. Within thirty days after completion of such investigatory, remedial and/or removal action, Contractor shall provide Port with a certification acceptable to Port that all such contamination has been eliminated.

(d) Investigations. The Port reserves the right to inspect Contractor's use of Hazardous Substances at the PSRY at any time with reasonable notice to Contractor. Contractor shall provide

the Port reasonable access to all records relating to its management, use, storage or other handling of Hazardous Substances at the PSRY. The Port shall have the right to request and receive information with respect to the use of Hazardous Substances on the PSRY premises in writing from any contractor or their subcontractors. If the Port at any time during the term of this Agreement has reason to believe that Contractor is not complying with any of the requirements of this Section 4.7, the Port may require Contractor to furnish to the Port, at Contractor's sole expense, an environmental audit or environmental assessment with respect to the matters the Port reasonably believes to be out of compliance. The Port shall have the right to approve the company or individual conducting such audit or assessment, and shall be given an original of the results.

4.8 Rules and Regulations - Portland Prime Ship Repair Contractors Panel.

(a) To facilitate cooperative and efficient use of the facilities of the PSRY, the prime ship repair contractors and the Port hereby create an advisory panel for consultation and review of policies, financial matters, capital and operating budgets of the Port, and the PSRY rules and regulations adopted for the operations at the PSRY. Said panel shall consist of the appropriate contractor and Port representatives. Said panel shall meet quarterly to discuss items of mutual concern.

Subcommittees concerned with operations, financial matters, or policy may be convened and shall meet at such times and with such frequency as required. The panel shall have the authority to review present rules and regulations and, except for emergencies requiring prompt action by Port, shall have thirty days to review and consult upon proposed rules and regulations before they become effective.

The Port shall give good faith consideration to contractors views regarding proposed regulations or proposed changes in the use fee or price list, and upon the request of all contractors except for emergency regulations, shall delay implementation thereof until an opportunity for public review of the proposed action has been afforded by the Port Commission.

(b) The Port shall have the right to adopt and enforce reasonable the PSRY rules and regulations with respect to the use of the PSRY, and without limiting the foregoing, Port may adopt the PSRY rules and regulations which clarify Contractor's rights or establish procedures for common use of the PSRY facilities.

4.9 Cooperation. Contractor shall at all times conduct its activities so as to minimize interference with other users of the PSRY. Contractor may not engage in activities or abandon work in progress which would have the effect of denying use in common with others of the PSRY. Contractor shall cooperate with Port and other Prime Ship Repair Contractors to achieve maximum efficient use of the

PSRY facilities for the benefit of all users of the PSRY and to achieve the goal of a fully utilized self-sufficient ship repair facility.

SECTION 5 - PORT'S RIGHTS AND OBLIGATIONS.

5.1 Maintenance and Operation of the PSRY. The Port shall with reasonable diligence perform such general maintenance, repairs and renovations to the PSRY facilities as Port, in its discretion, after consideration provided in Section 4.8 with prime contractors, deems appropriate. However, Port shall have no liability to Contractor if the PSRY facilities should malfunction or fail to operate properly. The Port, however, agrees to review the impact of equipment failure upon Port's billings for the use of Port facilities when the Port is notified within seventy two hours of the equipment failure, that the Contractor will seek an adjustment in Port charges.

5.2 First Aid and Security. Port may maintain such first aid and security services at the PSRY as Port, in its discretion, after conferring with Contractor pursuant to Section 4.8, determines appropriate. Contractor shall, as provided in Section 6, pay to Port Contractor's share of the costs of providing such first aid and security services as Port may provide. Port, by providing first aid and security services, does not assume any responsibility for the safety and security of Contractor's employees or personal property.

5.3 Port's Inspection Rights. The Port reserves the right to

inspect Contractor's, and Contractor's subcontractor's, activities and operations in any or all of the common use areas of the PSRY at any time without notice to the Contractor or subcontractor(s) to determine compliance with the terms and conditions of this Agreement.

SECTION 6 - FEES AND CHARGES.

6.1 Amount. Contractor shall pay to Port the following sums in consideration of the rights granted under this Agreement (collectively the "Fees"):

(a) Price Schedule Charges (formerly known as "tariff charges") for the use of the PSRY drydock and berthing facilities, cranes, utility services and other services and facilities as established from time to time. The Price Schedule Charges shall be reviewed annually in consultation with the prime ship repair contractors panel (Section 4.8) and may be adjusted by the Port in an amount to reflect increases in the GNP deflator index, or Port cost.

(b) A Facility Fee (formerly known as "use fee"), based upon a percentage of Contractor's Gross Billings, said fee shall be reflected in the current Price Schedule Charges. Port shall have the right, following consultation required by Section 4.8, to increase or decrease the Facility Fee as a percentage of Contractor's Gross Billings.

(c) Any increases in amounts charged by Port under Paragraphn 6.1 (a) and (b) shall not be effective sooner than ninety days after notice thereof, provided that the change in the Facility Fee or Price Schedule Charges shall not be effective for Projects for which the Contractor, at the time the change is announced, either: (i) has a binding contract or (ii) has submitted a binding bid, providing such bid or contract commitment is not longer than six months from the date of the notice.

(d) A Service Fee adjusted from time to time by Port based upon Port's cost of providing such first aid and security services as Port elects to provide at the PSRY. The Service Fee to be paid by Contractor shall be equal to the costs of providing first aid and security costs, divided by the number of Prime Ship Repair Contractors operating at the PSRY plus one.

6.2 Submission of Gross Billings Report. Within the first ten calendar days of each month, Contractor shall submit to the PSRY a Statement of Contractor's Gross Billings for the prior month on a form approved by Port (see Exhibit A) together with such supporting information and schedules as Port shall reasonably request. Contractor shall, no later than forty-five days from the end of their Fiscal Year, submit to Port a statement, signed by the chief financial officer of Contractor, certifying Contractor's total Gross Billings for the prior Fiscal Year, as reflected in their annual audit. If the Facility Fees incurred are greater than the Facility Fees actually paid, Port shall issue a bill for the remaining balance of the

Facility Fees for such year. If the Facility Fees incurred are less than the Facility Fees actually paid, the excess will be credited to the Contractor.

6.3 Facility Fees. Port shall compute the Facility Fees based on the Statement of Contractor's Gross Billings each month, and the Port shall issue a bill for Facility Fees. Payment of such billing shall be due within thirty days from date of invoice.

6.4 Estimated Payments of Facility Fees. The Port may, in accordance with its credit policies, heretofore adopted or hereafter to be adopted, may bill Contractor on a weekly basis for the Facility Fees that Port estimates Contractor will incur for each pending project. If Port elects to require advance estimated payments of Facility Fees by Contractor, the Port shall give thirty days' notice of said intent to Contractor and indicate the basis for the credit policy change. If Port elects to require advance estimated payments of Facility Fees, the following procedures will be followed:

(a) In preparing estimates of Facility Fees for the purposes of billing, Port shall consider the quantity and nature of the work that Contractor will be undertaking. Contractor shall, within three days after the arrival at the PSRY of any ship on which Contractor intends to perform billable work, report to the PSRY the projected Facility Fees associated with the Project. If Contractor does not provide information sufficient for Port to develop an estimate within three days after the vessel arrives at

the PSRY, Port will bill Contractor on the basis of twice Port's estimated Price Schedule Charges for the Project. Contractor shall report to the PSRY General Manager promptly after Contractor determines that the scope of any Project will materially exceed or fall short of original anticipations.

(b) As soon as practicable after Contractor has completed a Project, Port shall compute the Facility Fees incurred by Contractor with respect to the Project, and shall compare the total Facility Fees incurred by Contractor with respect to the Project with the amount of estimated Facility Fees previously paid by Contractor with respect to the Project. If the actual Facility Fees exceed the estimated Facility Fees received by Port with respect to the Project, Port will bill Contractor for the remaining balance of the Facility Fees for the Project. If payments of estimated Facility Fees exceed the actual Facility Fees for a Project, the excess will be credited to the Contractor.

6.5 Price Schedule Charges. Each week Port shall compute the Price Schedule Charges incurred by Contractor during the prior week, and shall issue a bill for Price Schedule Charges. These Price Schedule Charges shall be paid within thirty days of the date of the invoice.

6.6 Late Payments. Except as otherwise provided herein, all billing for Fees and other payments owing by Contractor to Port shall be paid within thirty days of the date of the invoice. All billings

for Fees and other amounts not paid when due shall bear interest from the date such bill was due until the bill is paid, at the rate of 18 percent per annum, but not in any event at a rate higher than the maximum interest rate permitted by law.

6.7 Billing Disputes. In the event of a dispute between Port and Contractor regarding any billing for Fees by Port to Contractor, Contractor shall notify Port at the time Contractor pays the disputed billing. The disputed amount must be paid by Contractor notwithstanding the dispute. The parties will thereafter attempt to resolve the billing dispute. If the parties are unable to resolve the billing dispute, Contractor may pursue arbitration as provided in Section 14.

6.8 Discounts. Port may, in its discretion, pursuant to regulations adopted in consultation with Contractor (Section 4.8), elect to offer discounted Fees for particular Projects. In the event Port so elects to offer discounted Fees for a particular Project, Port shall advise all Prime Ship Repair Contractors operating at the PSRY that are bidding for the Project of the offered discount.

SECTION 7 - BOOKS AND RECORDS.

7.1 Contractor Records. Contractor shall, at all times, maintain and keep books, ledgers, accounts, and other records at Portland, Oregon, in such detail as Port may require, wherein are accurately kept all entries reflecting the Gross Billings of Contractor in

accordance with generally accepted accounting principles. Such records shall include all supporting materials, including without limitation, bills, credit and adjustment memoranda, invoices, billing correspondence and contracts.

7.2 Audit and Inspection Rights. Port shall have the right to inspect all books, ledgers, accounts and other records of Contractor relating to Gross Billings upon reasonable notice. Such records shall be made available at Contractor's office at the PSRY. Port shall also have the right at Port's expense to have the records of Contractor audited. If an audit establishes that Gross Billings for any period were greater than the Gross Billings which were previously reported to Port on which Facility Fees were paid, Port shall issue to Contractor a bill for the unpaid Facility Fees.

7.3 Financial Information/Submission of Information.

Contractor shall furnish to Port the following financial information:

(a) Quarterly balance sheet, prepared in accordance with generally accepted accounting principles shall be submitted to Port not later than forty-five days after the end of each fiscal quarter of Contractor.

(b) Annual financial statements audited in accordance with generally accepted audit standards by a recognized firm of

certified public accountants, prepared in accordance with generally accepted accounting principles, which reflect the financial condition of Contractor at the end of such year, results of operations during such fiscal year, and the changes in cash position from the prior year, shall be submitted to Port no later than sixty days after the end of each fiscal year of Contractor.

(c) Such financial information shall be maintained as confidential and proprietary to the Contractor, and no copies shall be furnished or information thereof divulged to any third party except by court order after ten days notice to the Contractor.

SECTION 8 - SECURITY ARRANGEMENTS.

Pursuant to its credit policy, the Port may require Contractor to maintain in effect, at all times during the term of this Agreement and so long thereafter as any Fees remain unpaid, an irrevocable stand by letter of credit. The letter of credit shall be in a form reasonably acceptable to Port with payment on the letter of credit conditioned solely on receipt by the issuing bank of notice from the Port of a payment demand. In the event Port draws on the letter of credit, Contractor shall promptly replenish the amount drawn so that, at all times, the Port letter of credit will be in the amount required by Port.

Port shall, from time to time, reevaluate the amount of the letter of credit in light of the financial condition of Contractor and the amount of Fees anticipated to be owing by Contractor, and notify Contractor of an increase or decrease in the required amount of the letter of credit. Port shall not demand that the letter of credit be increased in excess of the total Fees that Port estimates Contractor will incur in any one billing period (being the period specified in Section 6.3 as such period may be modified from time to time under Section 11.2) in the 12 month period following the demand for an increased letter of credit. Within ten days after the effective date of Port's notice of any increase in the letter of credit, Contractor shall provide Port with a letter of credit, meeting the requirements of this Section, in such newly established amount. Port may, in its sole discretion, accept other forms of security in lieu of a letter of credit.

SECTION 9 - INDEMNITY.

Contractor shall indemnify, defend and hold harmless Port, its commissioners, officers, directors, agents and employees, from and against all losses, costs, claims, demands, damages or liabilities of any kind (including without limitation attorneys' fees) (collectively "Losses"), arising out of or in any way relating to: (i) Contractor's breach of any covenant or warranty in this Agreement; (ii) any activity on, or use of, the PSRY by Contractor, its subcontractors or employees; (iii) the actual or alleged use, treatment, storage, generation, transport, disposal or other handling of Hazardous

Substances at the PSRY by Contractor, its subcontractors or employees; or (iv) the actual or alleged leak, spill, disposal or other release of any Hazardous Substance, if the Hazardous Substance is owned, possessed or in the control of Contractor or Contractor's subcontractors, or if the release is caused by Contractor, such subcontractor or occurs in connection with Contractor's or such subcontractor's operations at the PSRY. Contractor specifically and expressly agrees that the indemnity obligations under this Section 9 shall include, without limitation, to the maximum extent permitted by law: (a) loss of or damage to any property of Port or Contractor or any third party; (b) bodily or personal injury to or death of any person(s), including, without limitation, employees of Contractor and its subcontractors or suppliers at any tier; (c) claims arising out of workers' compensation or similar laws, or obligations applicable to employees of Contractor and its subcontractors at any tier, and (d) claims by other Prime Ship Repair Contractors and third parties arising out of Contractor's failure to comply with the PSRY Rules and Regulations relating to scheduling use of the PSRY facilities. With respect to Hazardous Substances, this indemnity obligation shall include, without limitation: (a) claims of third parties, including government agencies, for damages, response costs, clean-up costs or other relief; (b) the cost, expense, or loss to the Port of any injunctive relief, including preliminary or temporary injunctive relief, applicable to the Port or the PSRY premises; (c) the expense, including fees of attorneys, engineers, paralegals and experts, of reporting the existence of said Hazardous Substances to any agency of the State of Oregon or the United States as required by applicable

laws or regulations; and (d) any and all expenses or obligations, including attorneys' and paralegal fees, incurred at, before, and after any trial or appeal therefrom whether or not taxable as costs. This section shall not apply to any losses caused in part by the Port's own negligence or failure to effect any repair or maintenance required of the Port by this Agreement. Contractor's obligations under this Section shall survive the expiration or termination of this Agreement for any reason. The Port's rights under this Section are in addition to and not in lieu of any other rights or remedies to which the Port may be entitled under this Agreement or otherwise.

SECTION 10 - INSURANCE.

10.1 Policies To Be Carried. Contractor shall, at all times during the term of this Agreement, maintain in full force and effect the following occurrence form insurance policies:

(a) Workers' Compensation Insurance with statutory limits against liability under the Oregon Workers' Compensation Act and under the Federal Longshoremen's and Harbor Workers' Compensation Act. If applicable, Jones Act coverage shall also be provided.

(b) Ship Repairer's Legal Liability Insurance with minimum combined single limit bodily injury and property damage limits of \$10,000,000.

(c) Employer's liability insurance in the minimum limits of \$1,000,000 for each accident, covering injury or death to any employee which may be outside the scope of the state or federal workers' compensation statutes.

(d) Commercial general liability insurance, with minimum combined single limits of \$10,000,000 for injury to or death of any person or persons, for property damage, and for contractual liability coverage insuring the indemnity provisions of this Agreement. Contractor, at its option, may obtain and maintain a separate contractual liability policy with the same minimum limits.

(e) Automobile liability insurance covering owned, nonowned and hired automobiles, with minimum limits of \$1,000,000 for injury, death or property damage.

(f) Sudden and accidental pollution liability insurance with a minimum combined single limit of \$10,000,000 for injury to or death of any person or persons, for property damages, for fines and penalties, and for costs of cleanup expenses as required by the Federal Water Pollution Act of 1980 and all other pollution laws now or hereafter enacted and any amendments or modifications thereto.

(g) Excess coverage can be utilized to supplement basic insurance limits to meet coverage requirements on individual insurance lines.

10.2 General Insurance Requirements. All of the insurance coverage required by this Section 10 shall include coverage for acts of Contractor and its subcontractors and anyone directly employed by them. These insurance policies shall be written by an insurance company or companies acceptable to Port and shall be maintained in full force and effect during the term of this Agreement. All policies, except workers' compensation insurance and employers' liability insurance policies, whether specifically mentioned above or not, shall recognize, refer to and insure Contractor's obligations under Section 9 of this Agreement and name as additional insureds: "Port of Portland, a Port District of the State of Oregon, and any and all its commissioners, agents, officers, directors and employees." All of the insurance, whether specifically set forth above or not, shall waive subrogation against Port and the above persons. All insurance shall be endorsed to provide that, with respect to the Contractor's activities at the PSRY (including but not limited to Contractor's operations at and maintenance and use of the PSRY facilities), the coverages afforded shall be primary in relation to any other policies carried by Port and the above persons, and to any other policies in which Port or the above persons are named as additional insureds. All policies shall further provide that underwriters are obligated to provide Port at least thirty days written notice of cancellation, amendment or alteration.

10.3 Certificate of Insurance. Prior to exercising any rights under this Agreement, Contractor shall furnish Port with one certified copy of the insurance policies, or such other evidence of insurance as

is satisfactory to Port, and two certificates of insurance evidencing the coverages set forth in this Section. The certificates shall provide for thirty days' written notice of cancellation, amendment or expiration to Port. Port may temporarily waive delivery of originals of the policies, but such waiver shall not relieve Contractor from its obligation to provide an original of the policies. In the event Contractor fails to maintain such insurance, Port may, at its option, arrange for such insurance coverage, in which event all costs and premiums incurred by Port shall be immediately reimbursed to Port by Contractor.

SECTION 11 - DEFAULT AND TERMINATION.

11.1 Event of Default. The following shall constitute a default by Contractor under this Agreement grounds for the immediate revocation of the PSRY Use Permit:

(a) Contractor fails to pay any billing by Port for Fees or other amounts owing within ten days after it is due.

(b) Contractor fails to perform any of its obligations under this Agreement (other than the payment of money) or to comply with any of the PSRY Rules and Regulations or Ordinances, and such failure is not corrected by Contractor within thirty days after written notice from Port specifying the nature of the failure. If the failure is of a nature that cannot reasonably be cured within thirty days, Contractor shall not be in default if Contractor

commences curative action within such thirty-day period and thereafter pursues curative action with all reasonable diligence. Notwithstanding the foregoing, no notice of default and no opportunity to cure shall be required if during any twelve-month period Port has already given Contractor a notice concerning the failure to perform or to comply with the same obligation, in which event Contractor shall be in default if Contractor fails to perform or comply with such obligation.

(c) Contractor attempts to assign, subcontract or otherwise transfer an interest in this Agreement or any of its rights hereunder in violation of this Agreement.

(d) Dissolution, termination of existence, insolvency on a balance sheet basis or business failure of Contractor; the commencement by Contractor of a voluntary case under the federal bankruptcy laws or under other federal or state law relating to insolvency or debtor's relief; the entry of a decree or order for relief against Contractor in an involuntary case under the federal bankruptcy laws or under any other applicable federal or state law relating to insolvency or debtor's relief; the appointment or the consent by Contractor to the appointment of receiver, trustee, or custodian of Contractor for the benefit of creditors by Contractor or Contractor's failure generally to pay its debts as such debts become due.

(e) The making or suffering by Contractor of a fraudulent transfer under applicable federal or state law; concealment by Contractor of any of its property from creditors; the making or suffering by Contractor of a preference within the meaning of the federal bankruptcy law; or the imposition of a lien through legal proceedings or distraint upon any of the property of Contractor.

(f) Contractor fails to make any payment or perform any obligation as and when required by any Lease between Port and Contractor and the failure is not cured within any applicable grace period in such Lease.

11.2 Rights on Default. Upon the occurrence of an Event of Default, and at any time thereafter while the Event of Default continues uncured, Port shall exercise any one or more of the following remedies:

(a) Termination. Port may, at its election, by notice to Contractor terminate Contractor's rights to use the PSRY facilities, including any facilities used by Contractor pursuant to a Lease, on a date specified in such notice, which date shall not be earlier than ten days after such notice is given, in which event the Contractor's rights and privileges under this Agreement and any Lease shall cease, effective upon the date specified; provided that, Contractor shall be and shall remain liable for all Fees and other amounts accrued hereunder to the date such

termination becomes effective and for all other sums then owing by Contractor hereunder or under any Lease.

(b) Increase Security. Port may require Contractor to increase the amount of the letter of credit specified in Section 8, and until the amount of credit amount is increased to the level specified by Port, suspend Contractor's rights under this Agreement.

(c) Month to Month. Port may change the term of this Agreement from the fixed term specified in Section 2 to a month to month agreement which is terminable without cause upon thirty days' notice by Port.

(d) Shorten Payment Period. Port may shorten the payment periods specified in Sections 6.3 and 6.5 so as to require payments of Fees to be made on a more frequent basis.

(e) Suspension. Port may, by notice to Contractor, suspend Contractor's rights to use the PSRY facilities, including any of the PSRY facilities used by Contractor pursuant to a Lease, commencing on a date specified in the notice, which date shall not be earlier than five days after such notice, in which event Contractor shall have no right to utilize the PSRY facilities until the default is cured to the satisfaction of Port.

(f) Damages. Port may recover damages it sustains by reason of the default.

The remedies provided above shall be nonexclusive and in addition to any other remedies provided by law.

11.3 Rights of Port on Termination or Suspension. Upon the termination or suspension of Contractor's rights to use the PSRY facilities as provided in Sections 11.2(a) and (e), Port may, at its option, remove all personal property and all work in progress of Contractor from the PSRY facilities, and if necessary to accomplish this, perform such temporary work on vessels as is necessary to enable the vessels to be removed from the PSRY facilities. Contractor shall, upon demand, pay to Port all costs so incurred by Port in removing personal property and work in progress from the PSRY facilities and performing such temporary work on vessels.

SECTION 12 - TERMINATION AND SUSPENSION.

12.1 Termination at Option of Port. The Port may, at its option, terminate and cancel this Facility Agreement immediately upon the abandonment for a period of thirty days by the Contractor of the conduct of its business at the PSRY.

12.2 Termination at Option of Contractor. Contractor may, at its option, terminate this Facility Agreement immediately upon the occurrence of any of the following:

(a) The material restriction of the Port's operation of the PSRY by action of the United States Government or any authorized agency thereof, under its wartime or emergency powers and the continuance thereof for a period of not less than ninety days.

(b) The default by the Port in the performance of any covenant or agreement herein required to be performed by the Port and the failure of the Port to remedy such default for a period of sixty days after receipt from Contractor of written notice to remedy the same; provided, however, no notice of termination, as above provided, shall be of any force or effect if the Port shall have remedied the default prior to receipt of Contractor's notice of termination.

12.3 Suspension by Port. In the event Contractor's activities or emergencies of any nature pose an immediate serious risk of injury to persons or property, Port may, by notice to Contractor, immediately suspend Contractor's rights to use the PSRY until the risk of injury to person or property, or the emergency, as the case may be, is removed.

SECTION 13 - CONDITION ON TERMINATION.

Upon the expiration or earlier termination of this Agreement, Contractor shall remove from the PSRY all Hazardous Substances and their containers, which were brought into the PSRY by Contractor or its subcontractor or vendors, and certify in writing to Port that no

Hazardous Substance has been leaked, spilled, released or disposed of on the PSRY premises by Contractor or its subcontractors or vendors during the term of this Agreement. Contractor may provide such certification subject to exceptions identified with specificity only if Contractor: (i) provides the Port with the certification of an independent registered professional engineer that any and all contamination resulting from such exceptions has been eliminated and (ii) furnishes evidence to Port that all such contamination has been cleaned up to the satisfaction of all government agencies having jurisdiction.

SECTION 14 - ARBITRATION.

Any dispute between the parties hereto arising out of or related to this Agreement shall be settled by arbitration and the decision of the arbitrator shall be final and binding. The arbitration shall be conducted pursuant to arbitration statutes of the State of Oregon.

(a) The arbitration shall be conducted by a single arbitrator who is neutral and uninterested and selected by mutual agreement of the parties. If the parties are unable to agree on an arbitrator within ten days of the call for arbitration, upon application of either party, the presiding judge of the Multnomah County Circuit Court shall designate such arbitrator.

(b) Upon demand by the Port, or Contractor any claims or common issues of law or fact between the Port and any Contractor, shall be consolidated in a single arbitration.

(c) Other third parties may be joined in the arbitration upon notice of either party and with the consent of such third party. Thereafter, such third parties shall be bound by the arbitration provisions of this Agreement and by the award to the same extent as the original parties to the arbitration.

(d) The parties to the arbitration shall be entitled to such discovery as would be available to them in the Multnomah County, Oregon Circuit Court. The arbitrator will have all of the authority of the court incidental to such discovery, including authority to issue orders to produce documents or other materials and orders to appear and submit to deposition, and to impose appropriate sanctions, including awarding against a party for failure to comply with any order.

(e) The parties may offer such evidence as they desire and shall produce such additional evidence as the arbitrator may deem necessary to an understanding and determination of the dispute. The arbitrator shall be the judge of the admissibility of the evidence offered and conformity to legal rules of evidence shall not be necessary. All evidence shall be taken in the presence of the arbitrator and all of the parties, except where any of the

parties is absent in default or has waived his or her right to be present.

(f) The arbitrator shall not have the authority to grant equitable relief for injunctions, temporary restraining orders or specific performance.

(g) Arbitration hearings shall take place in Portland, Oregon.

(h) The arbitrator shall prepare a written opinion containing findings of fact and conclusions of law. The decision of the arbitrator shall be final and binding to the fullest extent of the law. The decision may be reduced to judgment by any court with jurisdiction.

(i) Any party against whom a claim is asserted may, at any time up to ten days prior to the arbitration, serve upon the party asserting the claim, an offer to allow an award to be entered against the party making the offer for the sum, or the property, or to the effect specified in the offer. If the party asserting the claim accepts the offer, the arbitrator shall be notified at once and an award shall be made accordingly, as a stipulated award. If the offer is not accepted within three days after it is received by the claiming party against whom the claim is made, it shall be deemed withdrawn, and shall not be given in evidence to the arbitration; and if the party asserting the claim fails to

obtain a more favorable award, the party against whom the claim was asserted shall recover from the party asserting the claim its share of the arbitrator's fee and costs from the time of service of the offer.

(j) Except as otherwise provided in Subsection 14(i), each party shall share equally in the fees and costs of the arbitrator, and each party shall be responsible for its own attorneys' fees, experts' fees and other costs incurred in connection with the arbitration.

SECTION 15 - GENERAL PROVISIONS.

15.1 Assignment. Neither Contractor nor any assignee or other successor of Contractor shall in any manner, directly or indirectly, by operation of law or otherwise, assign, transfer, or encumber any of Contractor's rights in and to this Agreement or any interest therein, nor license or permit any third party to exercise the rights herein granted in whole or in part without the prior written consent of the Port. Any attempt by Contractor to assign this Agreement without the Port's prior written consent shall be null and void.

15.2 Nonwaiver. Any waiver of any breach of covenants herein contained to be kept and performed by either party hereto shall not be deemed or considered as a continuing waiver and shall not operate to bar or prevent the other party hereto from declaring a forfeiture, termination, or cancellation for any succeeding breach either of the

same condition or covenant or otherwise. Acceptance of payment of Fees shall not be deemed a waiver.

15.3 Advances by Port. If Contractor shall fail to do anything that affects the common use of the PSRY facilities under the terms of this Facility Agreement, the Port may, at its sole option, after giving written notice to Contractor, do such act or thing on behalf of Contractor, and upon billing by Port, Contractor shall promptly pay the Port the amount of that cost.

15.4 Statutory Provisions. This Facility Agreement is subject to the provisions of Oregon Revised Statutes 279.312 through 279.320, inclusive, which are hereby incorporated by reference herein as fully as though set forth.

15.5 Headings. The Article and Section headings contained herein are for convenience and reference and are not intended to define or limit the scope of any provision of this Agreement.

15.6 Approval or Direction by Port. Wherever consent, approval, or direction by the Port is required in this Agreement, such consent, approval, or direction by the Port shall be effective only if given by the Executive Director of the Port or his designee in the manner as set forth in this Agreement. Nothing requiring consent, approval, or direction from the Port shall be unreasonably requested by Contractor nor shall such consent, approval, or direction be unreasonably withheld by the Port.

15.7 Favored Nations. The Port agrees that it will not allow other Prime Ship Repair Contractors to utilize the PSRY facilities for Fees and charges less than those to be paid by Contractor under this Agreement.

15.8 Notices. All notices required or allowed under this Agreement these Facility Use Rules shall be deemed effective when personally delivered, or if mailed, when deposited in the U.S. Mail, registered or certified, postage prepaid and addressed to the party at the address set forth below or such other address a party may subsequently designate to the other:

If to Port: Port of Portland Ship Repair Yard
 Post Office Box 3529
 Portland, Oregon 97208

If to Contractor: Cascade General, Inc.
 5555 North Channel Avenue
 P.O. Box 4367
 Portland, OR 97208

15.9 Conflicts. In the event of irreconcilable conflict between the terms of this Agreement and the PSRY Rules and Regulations, Ordinances, and Price Schedules, as between the parties, the priority of the various directives shall be as follows: (1) Ordinance No. 255 (2) this Agreement (3) Price Schedules and (4) the PSRY Rules and Regulations. However, whenever possible, this Agreement shall be

interpreted and construed so as to avoid conflicts with the Ordinances, Price Schedules and the PSRY Rules and Regulations. In the event of any conflict between Sections 6 and 8 of this Agreement and the provisions of Settlement Agreements between the Port and its contractors, the Settlement Agreement terms shall prevail.

15.10 Confidentiality. Port acknowledges that Contractor will, pursuant to this Agreement, disclose to Port records and financial information of a confidential and proprietary nature. Port agrees, to the extent permitted under URS 192.001 et seq. and other applicable laws to maintain the confidentiality of financial information relating to Contractor's business which is furnished to Port.

15.11 Entire Agreement. This Agreement constitutes the entire understanding of the parties relating to Contractor's use of facilities of the PSRY (other than: (i) the December 14, 1989 agreement relating to wet berth sandblasting procedures and (ii) any Lease between Port and Contractor, which agreements shall continue to govern Contractor's use of the portion of the PSRY covered by such agreements). All negotiations, proposals and agreements prior to the date of this Agreement are merged into and superseded by this Agreement. No changes, modification or amendments to this Agreement shall be valid unless agreed to by the parties in writing.

15.12 Costs of Containing Fires and Other Catastrophes. Contractor shall upon demand reimburse Port for all costs incurred by Port for the containment, suppression and mitigation of fires,

explosions and other catastrophes arising in any manner out of the activities of Contractor, its subcontractors, employees and ship owners for whom Contractor is performing work. Costs to be reimbursed shall include, without limitation, charges of fire-fighting agencies, costs of additional security, and costs of emergency medical care.

15.13 Effective Date. This Agreement shall become effective October 1, 1990, or on November 1, 1990, at the discretion of the Port. Pending the effective date of this Agreement, the existing use agreement shall remain in force.

IN WITNESS WHEREOF, the parties hereto have executed this Facility Agreement this 18 day of October, 1990.

CASCADE GENERAL, INC.

By Lois Kahler

By Stephen H. Anderson

THE PORT OF PORTLAND

By Robert W. Wolf
EXECUTIVE DIRECTOR

By Daily Swensen
Assistant Secretary

APPROVED AS TO FORM

Ann W. [Signature]
Counsel for
The Port of Portland

08/31/90
4392L:12L168

APPROVED BY COMMISSION

ON 9-12 1990



Port of Portland

Box 3529, Portland, Oregon 97208
503/231-5000
FAX: 503/231-5372

TRANSMITTAL LETTER

LEGAL DEPARTMENT

M. Brian Playfair (Ext. 262)
Jim Kirk (Ext. 487)
Dean M. Phillips (Ext. 274)
Shirley Talkington (Ext. 261)
Lyndon "Tuck" Wilson (Ext. 645)

Date: November 1, 1990

File: _____

FOR FAX TRANSMITTALS ONLY

Total number of pages,
including this transmittal
letter is: _____

To: Bruce Robeson Judy Greer
Ed Galligan Ray Eggersgluss
Max Terry Marie Mullins
Emily Erzen Bruce Berning

Subject: ADDENDUM TO FACILITY AGREEMENT

☐ For review. ☐ For action. ☐ For approval. ☐ For signature.
☐ As requested. ☒ For information. ☐ Please discuss.

Remarks: _____

From:

☐ Brian Playfair. ☐ Jim Kirk. ☐ Dean Phillips.
☐ Shirley Talkington. ☒ Lyndon "Tuck" Wilson.

Please Indicate Appropriate Action and Return.

Date: _____

☐ Review completed and approved. ☐ Review completed and changes made.
☐ Please discuss. ☐ Signed.

Remarks: _____

From: _____

ADDENDUM TO FACILITY AGREEMENT

"Gross Billings" Illustrations

November 1, 1990

1. Facts: Fabrication work is performed at Contractor's facility located outside PSRY. The fabricated materials are shipped out through PSRY, but are installed on the vessel at another location within 300 miles of PSRY.

Application of Agreement: No Facility Fee is payable because no part of the work was performed at PSRY.

2. Facts: On the way to PSRY, a vessel requires emergency work to make it seaworthy. The work is performed at another facility within 300 miles of PSRY; the vessel continues to PSRY for scheduled repairs.

Application of Agreement: No Facility Fee is payable with respect to the emergency work because it was not part of the same repair/construction event as the work performed at PSRY.

3. Facts: Contractor has scheduled facilities at PSRY for work on a vessel and attempts in good faith to reserve additional facilities at PSRY, but the Port is unable to accommodate the contractor within the vessel arrival schedule and the balance of the work is completed outside PSRY.

Application of Agreement: No Facility Fee is payable for the work performed outside PSRY under the circumstances. Because the unavailability of PSRY facilities left the Contractor with no choice but to perform certain work outside PSRY, the Facility Fee will not apply.

4. Facts: Contractor bills for towing or tug service, pilot assistance, guard services rendered outside PSRY with respect to a vessel or where work is performed at PSRY.

Application of Agreement: Facility Fee is payable for such services unless they occur more than 300 nautical miles from PSRY.

5. Facts: Contractor collects late fees, interest, or service charges with respect to a bill not paid when originally due.

Application of Agreement: No Facility Fee is payable on such items.

11/01/90

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PSY100002169

MONTH-TO-MONTH
LEASE OF IMPROVED SPACE BETWEEN
THE PORT OF PORTLAND
AND
COASTAL COATINGS, INC.

LEASE OF IMPROVED SPACE INDEX

ARTICLE I. - PREMISES	Page Number
Section 1.1 - Agreement to Lease	1
Section 1.2 - Use of Premises.	2
Section 1.3 - Appurtenant Rights	5
ARTICLE II. - TERM	
Section 2.1 - Term	6
ARTICLE III. - RENTAL	
Section 3.1 - Basic Rent	6
Section 3.2 - Time and Place of Payments	7
Section 3.3 - Acceptance of Late Rent.	7
ARTICLE IV. - LESSEE'S OTHER OBLIGATIONS	
Section 4.1 - Construction of Improvements/Alterations	8
Section 4.2 - Maintenance.	9
Section 4.3 - Taxes.	10
Section 4.4 - Liens.	10
Section 4.5 - Utilities.	11
Section 4.6 - Advertisement Signs.	11
Section 4.7 - Safety Requirements	12
Section 4.8 - Access to Premises.	13
Section 4.9 - Hazardous Substances Spills & Releases.	14
ARTICLE V. - PORT OBLIGATIONS AND WARRANTIES	
Section 5.1 - Maintenance.	15
Section 5.2 - Delivery	15
Section 5.3 - Port's Warranty of Ownership	15
Section 5.4 - Condition of Premises.	16
ARTICLE VI. - INDEMNITY, INSURANCE, AND DAMAGE AND DESTRUCTION	
Section 6.1 - Liability.	16
Section 6.2 - General Indemnity.	17
Section 6.3 - Hazardous Substances Indemnity	18
Section 6.4 - Duty to Defend	21
Section 6.5 - Insurance.	21
Section 6.6 - Waiver of Subrogation.	22

	<u>Page Number</u>
ARTICLE VII. - TERMINATION	
Section 7.1 - Termination by the Port.	23
Section 7.2 - Termination by Lessee.	23
Section 7.3 - Duties on Termination.	23
Section 7.4 - Title to Improvements.	24
Section 7.5 - Fixtures	24
Section 7.6 - Environmental Audit.	25
ARTICLE VIII. - DEFAULT	
Section 8.1 - Events of Default.	27
Section 8.2 - Remedies on Default.	28
ARTICLE IX. - GENERAL PROVISIONS	
Section 9.1 - Assignment and Sublease.	29
Section 9.2 - Nonwaiver.	30
Section 9.3 - Attorney's Fees.	30
Section 9.4 - Law of Oregon.	31
Section 9.5 - Adherence to Law	31
Section 9.6 - Time of Essence.	32
Section 9.7 - Warranty of Authority.	32
Section 9.8 - Headings	33
Section 9.9 - Consent of Port	33
Section 9.10 - Notices	33
Section 9.11 - Modification.	34
Section 9.12 - No Benefit to Third Parties	34
Section 9.13 - Admittance	34
Section 9.14 - Regulation	35
Section 9.15 - Partial Invalidity.	35
Section 9.16 - Survival.	35
Section 9.17 - Entire Agreement.	35

MONTH-TO-MONTH
LEASE OF IMPROVED SPACE

THIS LEASE, dated this 2nd day of July, 1991, is entered into by and between THE PORT OF PORTLAND, a port district of the State of Oregon (hereinafter referred to as "Port"), and COASTAL COATINGS, INC., a corporation organized under the laws of the State of WASHINGTON (hereinafter referred to as "Lessee"), for lease of certain described Premises located at the Portland Ship Repair Yard, Swan Island ("PSRY").

RECITALS

WHEREAS, the Port desires to lease certain land and/or improvements located at Portland Ship Repair Yard to Lessee, said land and/or improvements being more particularly described below; and

WHEREAS, Lessee is desirous of leasing said land and/or improvements;

NOW, THEREFORE, in consideration of the above declarations, the parties have negotiated the following terms and conditions:

ARTICLE I. - AGREEMENT TO LEASE, DESCRIPTION OF PREMISES

Section 1.1 - Agreement to Lease: The Port hereby leases to Lessee, and Lessee leases from the Port on the terms and conditions stated herein,

the Premises consisting of 640 square feet of ground floor office space located in Building 4 Annex shown on Exhibit No. A, attached hereto and made a part hereof, and any existing Improvements thereon, and appurtenances thereto, (hereinafter referred to as "Premises"). Upon construction or installation of any Improvements, additions, or changes to Improvements in, under, or upon the Premises (collectively "Improvements"), such Improvement(s) shall become a part of the Premises unless otherwise stated herein.

Section 1.2 - Use of Premises:

1.2.1 Lessee may use the Premises only for the following purpose(s): offices in support of Lessee's industrial coatings business. No sandblasting or spray painting shall be permitted on the Premises, nor shall paints, thinners, solvents or used equipment be stored on the Premises.

1.2.2 No other use may be made of the Premises without the written approval of the Port. Except as a necessary and incidental use in conjunction with the use authorized for the Premises pursuant to Section 1.2.1 above, without limiting the foregoing restriction on use, no use may be made of, on, or from the Premises relating to the handling, storage, disposal, transportation, or discharge of Hazardous Substances as defined in Section 6.3 hereof. Under no circumstances shall any use be made of, or conduct occur on, the Premises which would cause the Premises, or any part thereof, to be deemed a hazardous waste treatment, storage, or

disposal facility requiring a permit, interim status, or any other special authorization under any Environmental Law as defined in Section 6.3 hereof.

1.2.3 The Port shall have the option, but shall not be required to, request the Lessee to provide the Port with a list of all materials and activities which are or foreseeable will occur on the Premises which might constitute an environmental liability. Under no circumstances shall the Port be liable for failure to request or update said list.

1.2.4 In no event shall Lessee store, handle, transport, dispose, or treat any Hazardous Substances on the Premises which are generated by or from cleanup, removal, or remediation operations or activities from third party sources outside PSRY.

1.2.5 In no event shall the Lessee ever permanently or temporarily store the following product categories without the Port's prior written approval, except as specifically authorized by federal, state, or local Environmental Law or regulation:

1. PCBs, PCB contaminated materials, and spill residues containing PCBs.
2. Asbestos, asbestos-contaminated materials, and spill residues containing asbestos.
3. Radioactive materials (as defined by state, federal, and local

regulations including but not limited to United States Department of Transportation (US D.O.T.) classifications, and restrictions as defined in OAR Chapter 333, Division 100-005 (51) or as defined by Oregon Health Division.

4. Explosive materials and flammable solids (US D.O.T. Classification).
5. Poison Gases (Poison A, US D.O.T. classification).
6. Reactive materials (Defined by RCRA characteristic or reactivity).
7. Medical, biological, or infectious waste.

1.2.6 Lessee shall at all times exercise due care in connection with the handling of Hazardous Substances on the Premises and shall not cause or permit Hazardous Substances to be spilled, leaked, disposed of, treated, or otherwise released on the Premises.

1.2.7 Before commencing the use, generation, accumulation, storage, treatment, or other handling of Hazardous Substances on the Premises, Lessee shall provide the Port with copies of all necessary permits, authorizations and notices required by any Environmental Law as described in Section 6.3 herein, with respect to such activities. Lessee shall at all times comply with all Environmental Laws as defined in

Section 6.3 herein which are applicable to the Premises or to the Lessee's activities on the Premises.

1.2.8 The Lessee shall not in any manner deface or injure the Premises or any portion thereof; or overload the floors; or permit anything to be done upon the Premises which would cause an increase in the Fire Insurance rating to the Building; or commit any nuisance in or about the Premises; or to use or permit the use of the Premises for lodging or sleeping purposes.

Section 1.3 - Appurtenant Rights:

1.3.1 Lessee, its customers, agents, representatives, suppliers, and invitees and subcontractors authorized to be operating in the yard shall have the nonexclusive right to use the Common Areas, such right to be in common with others to whom the Port has granted or may grant such similar right. The term "Common Areas," as used herein, shall mean the roadways, pedestrian walkways, alleyways, driveways, delivery areas, trash removal areas, and any other areas, except for berth and drydock lay down areas, where such areas have been designated by the Port as areas to be used by tenants of the Port or those having Facility Agreements in common with other tenants and users of the Port.

1.3.2 The Port reserves the following rights with respect to the Common Areas:

1.3.2.1 To establish reasonable rules and regulations for the use of said Common Areas;

1.3.2.2 To use or permit the use of such Common Areas by others to whom the Port may grant or may have granted such rights in such manner as the Port may from time to time so grant;

1.3.2.3 To close all or any portion of the Common Areas to make repairs or changes, to prevent a dedication of the Common Areas or the accrual of any rights to any person or the public, or to discourage unpermitted use of the Common Areas;

1.3.2.4 To construct additional buildings to alter or remove buildings or other improvements in the Common Areas and to change the layout of such common Areas, including the right to add to or subtract from their shape and size;

1.3.2.5 To exercise any of the Port's governmental powers over the Common Areas.

ARTICLE II. - TERM

Section 2.1 - Term: This Lease shall commence on July 2, 1991, and continue month to month until terminated by either party upon thirty days' written notice or otherwise terminated under the provisions hereof.

ARTICLE III. - RENTAL

Section 3.1 - Basic Rent: The Lessee shall pay to the Port as rent the sum of \$344.00 per month, in advance, based upon the following:

640 square feet of space at \$.50 per square foot per month plus 2 parking spaces at \$12.00 per space per month. Monthly utility charges will be billed in addition as shown on Exhibit B. Rent for the first and last months has been paid upon the execution of this Lease, and the Port acknowledges receipt of this sum.

Section 3.2 - Time and Place of Payments: Payments are due on the first day of each month and delinquent if not paid by the (10th) day of each month. In the event the Lease commences after the first day of a month, the Basic Rent for the first month shall be prorated based on the number of days in the first partial calendar month.

3.2.1 Payment shall be to the Port at The Port of Portland, Post Office Box 5095, Portland, Oregon 97208, or such other place as the Port may designate. All amounts not paid by the Lessee when due shall bear a delinquency charge at the rate of 18% per annum. The delinquency charge on overdue accounts is subject to periodic adjustment to reflect the Port's then current charge for overdue accounts.

Section 3.3 - Acceptance of Late Rent: The Port shall be entitled, at its sole and complete discretion, to either accept or reject a tender payment of Basic Rent or Additional Rent which is not paid when due. In the event the Port elects to accept a tender of payment of rent after the time when such payment was due, the Port may do so without thereby waiving any default based upon the failure of Lessee to make such payment when due

and without waiving Lessee's continuing obligation to make such payments when required under the terms of this Lease. Lessee hereby acknowledges that this constitutes a waiver by Lessee of any argument that by accepting a late payment of rent, the Port has waived any default which is based upon such late payment or has waived Lessee's continuing obligation to make such payments when and as required by the terms of this Lease.

ARTICLE IV. - LESSEE'S OTHER OBLIGATIONS

Section 4.1 - Construction of Improvements/Alterations: The Lessee shall make no construction, alteration, or changes on or to the Premises without the prior written consent of the Port. At least thirty days prior to any approved construction, alteration, or changes upon the Premises or Improvements, Lessee shall submit to the Port architectural and mechanical final plans and specifications, site-use plan, and architectural rendering thereof and shall not commence any construction until it has received the Port's written approval. All plans for construction, alteration, or changes shall be signed by an architect or engineer licensed in the State of Oregon. Should the Port fail to take action concerning the plans and/or specifications submitted to it within forty-five days, said plans and/or specifications shall be deemed approved.

4.1.1 No such work shall be undertaken until Lessee has procured and paid for, so far as the same may be required from time to time, all municipal and other governmental permits and authorizations

required with respect to the work. Procurement of such permits and authorizations shall be subsequent to Lessee's obtaining Port approval pursuant to Section 4.1.

4.1.2 All work shall be performed in a good and workmanlike manner and, in the case of alterations or additions to existing Improvements, shall be of such quality and type that, when completed, the value and utility of the Improvements which were changed or altered shall be not less than the value and utility of such Improvements immediately before such change or alteration. All work shall be prosecuted with reasonable dispatch.

4.1.3 Thirty days after the completion of any work under this Section 4.1, Lessee shall deliver to the Port complete and fully detailed "AS-BUILT" drawings of the completed Improvements prepared by an architect licensed in the State of Oregon.

Section 4.2 - Maintenance: Except for the Port maintenance responsibilities provided in Section 5.1 herein, the Lessee shall keep and maintain the Premises and Improvements of any kind, which may be erected, installed, or made thereon by the Lessee or the Port, in good and substantial repair and condition and shall promptly make all necessary repairs thereto at Lessee's sole expense. Lessee shall be responsible at its own cost and expense for the maintenance of the interior of the Premises and Improvements including, but not limited to, heating and air conditioning units, electric lines and fixtures, flooring, partitions,

walls, ceilings, exterior doors and windows. Lessee shall also share responsibility with the adjacent tenant for maintenance of the adjoining restroom. The Lessee shall provide at, the Lessee's expense, proper containers and removal service for trash and garbage and shall keep the Premises free and clear of rubbish, debris, and litter at all times.

Section 4.3 - Taxes: Unless exempt, the Lessee agrees to pay all lawful taxes and assessments which during the term hereof or any extension may become a lien or which may be levied by the state, county, city, or any other tax-levying body upon the Premises or Improvements, upon any taxable interest by Lessee acquired in this Lease, or any taxable possessory right which Lessee may have in or to the Premises or the Improvements thereon by reason or its occupancy thereof, as well as all taxes on all taxable property, real or personal, owned by the Lessee in or about said Premises. Upon making such payments, the Lessee shall give to the Port a copy of the receipts and vouchers showing such payment. The Lessee understands that Port property is exempt from property taxation until leased to a taxable entity. In the event the term of this Lease or any extension thereof shall end after June 30 of any year, the Lessee shall be responsible for payment of property taxes for the entire tax year without proration or, in the event of any change in property tax law, for any taxes due under such law.

Section 4.4 - Liens: The Lessee agrees to pay, when due, all

sums of money that may become due for, any labor, services, materials, supplies, utilities, furnishings, machinery, or equipment which have been furnished or ordered with the Lessee's consent to be furnished to or for the Lessee in, upon, or about the Premises or Improvements, which may be secured by any mechanic's, materialsmen's, or other lien against the Premises or Improvements or the Port's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, provided that the Lessee may in good faith contest any mechanic's or other liens filed or established, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest, provided that the Port may require the Lessee to procure a payment bond in the amount of the contested lien.

Section 4.5 - Utilities: The Lessee shall promptly pay any charges for telephone, and all other charges for utilities which may be furnished to the Premises or Improvements at the request of or for the benefit of Lessee, except for electricity which shall be provided by the Port. The applicable rates for the utilities provided by the Port are shown on Exhibit B, attached hereto. In no event shall the Lessee overload the electrical circuits from which the Lessee obtains current.

Section 4.6 - Advertisement Signs: Subject to the provisions hereof, the Lessee shall have the right to install or cause to be installed

appropriate signs on the Premises to advertise the nature of its business. The cost for installation and operation of such signs shall be borne by the Lessee. The Lessee shall not erect, install, nor permit to be erected, installed or operated upon the Premises herein any sign or other advertising device without having first obtained the Port's written consent thereto as to size, construction, location, and general appearance. All such installations shall be in accordance with the Portland Ship Repair Yard Signing Standards as adopted by the Port from time to time.

Section 4.7 - Safety Requirements:

4.7.1 The Lessee shall conduct its operations, activities and duties under this Lease in a safe manner, and shall comply with all safety standards imposed by applicable federal, state and local laws and regulations. The Lessee shall require the observance of the foregoing by all subcontractors and all other persons transacting business with or for the Lessee in any way connected with the conduct of the Lessee pursuant to this Lease.

4.7.2 The Lessee shall exercise due and reasonable care and caution to prevent and control fire on the Premises and to that end shall provide and maintain such fire suppression and other fire protection equipment as may be required pursuant to applicable governmental laws, ordinances, statutes and codes for the purpose of protecting the Improvements adequately and restricting the spread of any fire from the

Premises to any property adjacent to the Premises.

Section 4.8 - Access to Premises: Except as provided in Section 4.8.1, the Port shall at all times during ordinary business hours have the right to enter upon the Premises and Improvements for the purposes of: (1) inspecting the same; (2) confirming the performance by Lessee of its obligations under this Lease; (3) doing any other act which the Port may be obligated or have the right to perform under this Lease, or reasonably related thereto; and (4) for any other lawful purpose. Such inspections shall be made only at a mutually agreeable time to all parties except in cases of emergency or pursuant to Section 4.8.1.

4.8.1 Environmental Inspection: The Port reserves the right to inspect the Lessee's and Lessee's subtenants' management of Hazardous Substances, as defined in Section 6.3, on the Premises at any time and from time to time without notice to the Lessee or subtenant. If the Port at any time during the term of this Lease or any extension thereof has reason to believe that the Lessee or Lessee's subtenant(s) are managing Hazardous Substances in a manner that may allow contamination of any portion of the Premises, the Port may require the Lessee to furnish to the Port, at the Lessee's sole expense, an environmental audit or an environmental assessment with respect to the matters of concern to the Port. The Port shall have the right to approve the company or individual conducting said audit and the audit procedures and shall be given an original copy of the results. Lessee shall cooperate with all such

requests.

Section 4.9 - Hazardous Substances Spills and Releases: Lessee shall immediately notify the Port upon becoming aware of: (1) any leak, spill, release or disposal of a Hazardous Substance, as defined in Section 6.3, on, under or adjacent to the Premises or threat of or reasonable suspicion of any of the same; and/or (2) any notice or communication from a governmental agency or any other person directed to the Lessee or any other person relating to such Hazardous Substances on, under, or adjacent to the Premises or any violation of any federal, state, or local laws, regulations, or ordinances with respect to the Premises or activities on the Premises.

4.9.1 In the event of a leak, spill or release of a Hazardous Substance on the Premises or the threat of or reasonable suspicion of the same, Lessee shall immediately undertake all emergency response necessary to contain, clean up and remove the Hazardous Substance and shall undertake within a reasonable time all investigatory, remedial and/or removal action necessary or appropriate to ensure that any contamination by the Hazardous Substances is eliminated. The Port shall have the right to approve all investigatory, remedial and removal procedures and the company(ies) and/or individual(s) conducting said procedures. Within 30 days following completion of such investigatory, remedial and/or removal action, Lessee shall provide the Port with a certification acceptable to the Port that all such contamination has been eliminated as required by federal, state, or local law or regulation.

ARTICLE V. - PORT OBLIGATIONS AND WARRANTIES

Section 5.1 - Maintenance: Except for Lessee's maintenance obligations as described in Section 4.2 and Lessee's obligations to repair damage caused by its acts or failure to act on the Premises, the Port shall be responsible for maintenance of the exterior walls and roof areas of the Premises, and maintenance of the exterior utility systems to the service connection points inside the Premises. Any and all maintenance and repair work not specifically described herein as the responsibility of the Port shall be the responsibility of the Lessee.

Section 5.2 - Delivery:

5.2.1 Lessee shall have the right to possession of the Premises as of the date of the term hereof. Should the Port be unable to deliver possession of the Premises on the date fixed for commencement of the term, the Lessee shall owe no rent until notice from the Port tendering possession to the Lessee. The Port shall have no liability to the Lessee for delay in delivering possession, nor shall such delay extend the term of this Lease in any manner.

5.2.2 In the event the Port shall permit the Lessee to occupy the Premises prior to the occupancy date herein set forth, such occupancy shall be subject to all the provisions of this Lease.

Section 5.3 - Port's Warranty of Ownership: The Port warrants that

it is the owner of the land and building and has the right to lease said Premises under the terms of this Lease. Subject to the Lessee performing all obligations of this Lease, the Lessee's possession of the Premises will not be disturbed by the Port or anyone lawfully claiming by, through or under the Port and the Port will defend the Lessee's right to quiet enjoyment of the Premises from disturbance by anyone lawfully claiming by, through or under the Port.

Section 5.4 - Condition of Premises: The Port makes no warranties or representations regarding the condition or available lawful uses of the Premises. The Lessee has inspected and accepts the Premises in an "as is" condition upon taking possession, and the Port shall have no liability to the Lessee for any loss, damage, injury, or costs caused by the condition or available lawful uses of the Premises.

ARTICLE VI. - LIABILITY, INDEMNITY, INSURANCE, DAMAGE AND DESTRUCTION

Section 6.1 - Liability: The Port shall not be liable to the Lessee for damage to person or property resulting from the negligence of a co-tenant or anyone else other than the Port, or for any damage to person or property resulting from any condition of the Premises or other cause, including but not limited to damage by water, not resulting from the negligence of the Port. Lessee understands that the Premises are located within a ship repair yard where large vessels are repaired, sandblasted,

and spray painted and such activities may create noise, odors, dusts, paint oversprays and sandblast grit. Lessee acknowledges these risks, assumes the risks for damages caused by such risks, and releases the Port from liability therefore.

Section 6.2 - General Indemnity: The Port shall not in any event be liable for any injury to any person or damage to any property occurring on or about the Premises, unless such injury or damage results from the wilful acts or gross negligence of the Port. Lessee covenants and agrees to indemnify and hold harmless the Port, its commissioners, directors, officers, agents, and employees from and against any and all actual or potential liability, claims, demands, damages, expenses, fees (including attorneys', accountants', and paralegal fees), fines, penalties, suits, proceedings, actions, and causes of action (collectively "costs") which may be imposed upon or incurred by the Port due to the acts or omissions of any person or entity whatsoever (excluding only the wilful acts or gross negligence of the Port), and which: (1) arise from or are in any way connected with Lessee's use, occupation, management or control of the Premises whether or not due to Lessee's wilful act or omission or gross negligence and whether or not occurring on the Premises; or (2) result from any breach, violation, or nonperformance by Lessee of any of its obligations under this Lease.

Section 6.3 - Hazardous Substances Indemnity: In addition to the indemnity provided in Section 6.2 above, Lessee agrees to indemnify, save, and hold harmless the Port from and against all removal, remediation, containment and other costs required to be incurred by environmental laws caused by, arising out of, or in connection with, the handling, storage, discharge, transportation, or disposal of Hazardous Substances which Hazardous Substances are on the Premises as a result of Lessee's, or Lessee's sublessees' tenants', agents', employees', or invitees', acts or omissions, whether occurring during the term of this Lease. Subject to the preceding limitations, such Costs shall include, but not be limited to: (a) claims of third parties, including governmental agencies, for damages, response costs or other relief; (b) the cost, expense or loss to the Port of any injunctive relief, including preliminary or temporary injunctive relief, applicable to the Port or the Premises; (c) the expense, including reasonable fees of attorneys, engineers, paralegals and experts, reporting the existence of said Hazardous Substances or contaminants to any agency of the State of Oregon or the United States as required by applicable Environmental Laws; (d) any and all expenses or obligations, including attorneys' and paralegal fees, incurred at, before, and after any trial or appeal therefrom or any administrative proceeding or appeal therefrom whether or not taxable as costs, including, without limitation, reasonable attorneys' and paralegal fees, witness fees (expert and otherwise), deposition costs, copying and telephone charges and other expenses, all of which shall be paid by Lessee promptly after the Port

incurs the obligations to pay such amounts. Such damages, costs, liabilities and expenses shall include such as are claimed to be owed by any regulating and administering agency. As used in Article VI, the word "Premises" shall be deemed to include the soil and water table thereof. As used herein, "Hazardous Substances" shall be interpreted in the broadest sense to include any substances, materials, wastes, pollutants, or contaminants that, because of their quantity, concentration, or physical, chemical, or infectious characteristics, may cause or threaten a present or potential hazard to human health or the environment when improperly generated, used, stored, handled, treated, discharged, disposed of, or released. "Hazardous Substances" shall include but not be limited to any and all substances, materials, wastes, pollutants, or contaminants are defined or designated as hazardous, toxic, radioactive, dangerous, or any other similar term in or under any of the Environmental Laws, and shall specifically include asbestos and asbestos-containing materials, petroleum or petroleum products, including crude oil or any fraction thereof, and urea formaldehyde. As used herein, "Environmental Laws" shall be interpreted in the broadest sense to include any and all lawful federal, state, and local statutes, regulations, rules, and ordinances now or hereafter in effect, as may be amended from time to time, governing Hazardous Substances or relating to the protection of human health or the environment, including but not limited to, the Resource Conservation and Recovery Act (RCRA) (42 U.S.C. §6901 et. seq.); the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) (42 U.S.C.

§9601, et. seq.); the Federal Water Pollution Control Act/Clean Water Act (33 U.S.C. §1257 et. seq.); the Toxic Substances Control Act (15 U.S.C. §2601, et. seq.); Superfund Amendment and Reauthorization Act of 1986 (SARA) (P.L. 99-499. October 17, 1986); the Safe Drinking Water Act (42 U.S.C. 300 et. seq.); the Solid Waste Disposal Act (42 U.S.C. §3251, et. seq.); the Clean Water Act (33 U.S.C. §1251, et. seq.); the Clean Air Act (42 U.S.C. §7401 et. seq.); the Fomral Fungicide and Rodenticide Act/Pesticide Act (7 U.S.C. §13 et. seq.); the Oregon Revised Statues relating to community information on hazardous waste reduction (ORS 453.307 et seq.); toxics use reduction and hazardous waste reduction (ORS 465.003 et. seq.); environmental cleanup of hazardous substances, hazardous wastes, and oil contamination (ORS 465.200 et. seq.); treatment, storage, and disposal of hazardous waste and PCBs (ORS 266.005 et. seq.); notice of environmental hazards (ORS 466.360 et. seq.); use of PCBs (ORS 466.505 et. seq.); spill response and cleanup of hazardous materials and oil (ORS 466.605 et. seq.); underground storage tanks (ORS 466.705 et. seq.); penalties for noncompliance (ORS 466.880 et. seq.); water pollution control (ORS 468.691 et. seq.); oil spills (ORS 466.880 et. seq.); asbestos abatement (ORS 468.875 et. seq.); any similar or equivalent laws; and any implementing laws, regulations, rules, and ordinances.

6.3.1 Promptly upon written notice from the Port or from any governmental entity, if required by the environmental laws, the Lessee shall remove from the Premises (including without limitation the soil or water table thereof) all Hazardous Substances placed on the Premises by

Lessee, Lessee's sublessees, agents, employees or invitees and shall restore the Premises to clean, safe, good, and serviceable condition. Any such cleanup shall be in conformance with all applicable governmental rules and regulations.

Section 6.4 - Duty to Defend: Lessee shall, at its sole expense, defend any and all actions, suits, and proceedings relating to matters covered by the indemnity set forth in Sections 6.2 and 6.3 which may be brought against the Port or in which the Port may be impleaded, and shall satisfy, pay, and discharge any and all judgments, orders, and decrees that may be entered against the Port in any such action or proceeding.

Section 6.5 - Insurance:

6.5.1 The Lessee shall maintain an occurrence form commercial general and automobile liability insurance policy or policies including a fire legal liability endorsement for the protection of Lessee and the Port, its commissioners, directors, officers, servants, and employees, insuring the Lessee and the Port against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to the Premises or occasioned by reason of the operations of the Lessee on or from the Premises with insurance of not less than (\$1,000,000) combined single limit.

6.5.2 Lessee shall maintain in force Workers' Compensation

insurance, including coverage for Employer's Liability and, if applicable, The Longshoremen's and Harbor Workers' Compensation Act.

6.5.3 All insurance shall name the Port, its commissioners, officers, and employees as additional insureds with the stipulation that this insurance, as to the interest of the Port only therein, shall not be invalidated by any act or neglect or breach of contract by the Lessee.

6.5.4 The Lessee shall furnish to the Port a certificate(s) of insurance evidencing the date, amount, and type of insurance that has been procured pursuant to this Lease. All policies of insurance shall remain in full force during the term hereof and shall provide for not less than 30 (thirty) days written notice to the Port and the Lessee before such policies may be revised, nonrenewed, or cancelled. Upon request, the Lessee shall provide the Port with a copy or copies of any insurance policy provided pursuant to this Lease.

6.5.5 The Port shall have the right to review the coverage and limits of insurance required herein from time to time. In the event the Port determines that such limits should be modified, the Port will provide 30 days notice to the Lessee of such determination and the Lessee shall, if the coverage is expanded and/or limits are increased, modify its coverage to comply with the new limits and provide the Port with an updated certificate.

Section 6.6 - Waiver of Subrogation: The Port and the Lessee agree that each forfeits any right of action that it may later acquire against

the other of the parties to the Lease for loss or damage to its property, or to property in which it may have an interest, to the extent that such loss is covered by the provision of the Lessee's property damage policy or policies.

ARTICLE VII. - TERMINATION

Section 7.1 - Termination by the Port: The Port shall be entitled to terminate this Lease as provided herein and as otherwise provided by law.

Section 7.2 - Termination by Lessee: The Lessee shall be entitled to terminate this Lease as provided herein and as otherwise provided by law.

Section 7.3 - Duties on Termination: Upon termination of the Lease for any reason, the Lessee shall deliver all keys to the Port and surrender the Premises and Improvements in good condition. Alterations including but not limited to electrical systems, constructed by the Lessee with permission from the Port shall not be removed, unless the terms of permission for the alteration so require, but shall be restored to the original condition. Depreciation and wear from ordinary use for the purpose for which the Premises were let need not be restored, but all repair for which the Lessee is responsible shall be completed to the latest practical date prior to such surrender.

Section 7.4 - Title to Improvements: Subject to the provisions of Section 7.5, upon termination of this Lease by the passage of time or for any reason, the Port shall have the option to either require removal of any or all Improvements constructed by the Lessee, pursuant to Section 4.1, within 90 days after the expiration of the Lease at the Lessee's expense or shall have the option to take title to any or all such structures, installations, and Improvements.

Section 7.5 - Fixtures:

7.5.1 Upon termination of this Lease for any reason, any or all fixtures placed upon the Premises during the Lease Term other than the Lessee's trade fixtures, shall, at the Port's option, become the property of the Port. Movable furniture, decorations, floor covering (other than hard surface bonded or adhesively fixed flooring), curtains, blinds, furnishing and trade fixtures shall remain the property of the Lessee if placed on the Premises by the Lessee. At or before the termination of this Lease, Lessee, at its expense, shall remove from the Premises any or all of Lessee's fixtures or personal property which the Port has required Lessee to remove under the terms of this Lease, and shall repair any damage to the Premises resulting from the installation or removal of such fixtures or personal property. Any items of Lessee's fixtures or personal property which remain on the Premises after the termination of this Lease in violation of this Section 7.5 may, at the option of the Port, be deemed abandoned. The Port shall have the option, in its sole discretion, of (a)

retaining any or all of such abandoned property without any requirement to account to Lessee therefor, or (b) removing and disposing of any or all of such abandoned property and recovering the cost thereof, plus interest from the date of expenditure at the Port's then current interest rate, from Lessee upon demand.

7.5.2 The time for removal of any property or fixtures which the Lessee is required to remove from the Premises upon termination shall be as follows: (1) on or before the date the Lease terminates as provided herein; or (2) within 30 days after notice from the Port requiring such removal where the property to be removed is a fixture which the Lessee is not required to remove except after such notice by the Port, and such date would fall after the date on which the Lessee would be required to remove other property.

Section 7.6 - Environmental Audit: The Port may, at or near the expiration of this Lease by time or other termination require the Lessee to conduct, at its cost, an environmental audit of the Premises acceptable to the Port to determine if any environmental contamination as defined by then-applicable Environmental Law exists on the Premises. The Port shall have the right to approve the audit procedures and the company or individual conducting said audit and shall be given an original copy of the results. Lessee shall provide to the Port a supplemental update report as of the last day of the Lease Term. The Lessee shall promptly remedy any contamination revealed by such audit in accordance with the

then applicable Environmental Law prior to the expiration of the Lease Term. Lessee, upon termination of the Lease for any reason other than expiration of time, shall conduct the environmental audit as required by this Section. The Port, if necessary, will grant Lessee a Permit of Entry for such purpose. In the event the Lessee fails to promptly remedy the contamination, the Port shall have the right to remedy such contamination and charge the Lessee all such costs. The Lessee agrees to pay to Port such costs within 30 days after receipt of invoice from the Port, such right to be in addition to any other remedy available to the Port as provided herein, at law, or by equity.

7.6.1 If the Lessee does not conduct said audit as required herein, the Port may, at its sole option, complete said audit at the Lessee's expense. Until said audit and any remedial actions as required to restore the Premises to an acceptable condition are completed, the Lessee shall not be released from any liability for such costs.

ARTICLE VIII. - DEFAULT

Section 8.1 - Events of Default: The following shall be events of default:

8.1.1 Default in Rent: Failure of the Lessee to pay any rent or other charge as provided herein within 10 days after it is due.

8.1.2 Default in Other Covenants: Failure of the Lessee to comply with any term or condition or fulfill any obligation of the Lease (other than the payment of rent or other charges) within 30 days after written notice by the Port specifying the nature of the default with reasonable particularity. If the default is of such a nature that it cannot be completely remedied within the 30 day period, this provision shall be complied with if the Lessee begins correction of the default within the 30 day period and thereafter proceeds with reasonable diligence and in good faith to effect the remedy as soon as practicable.

8.1.3 Insolvency: To the extent permitted by the United States Bankruptcy Code, insolvency of the Lessee; an assignment by the Lessee for the benefit of creditors; the filing by the Lessee of a voluntary petition in bankruptcy; an adjudication that the Lessee is bankrupt or the appointment of a receiver of the properties of the Lessee and the receiver is not discharged within 30 days; the filing of an involuntary petition of bankruptcy and failure of the Lessee to secure a dismissal of the petition within 30 (thirty) days after filing; attachment of or the levying of execution on the leasehold interest and failure of the Lessee to secure

discharge of the attachment or release of the levy of execution within 10 days.

8.1.4 Failure to Occupy: Failure of the Lessee for 30 days or more to occupy the Premises for one or more of the purposes permitted under this Lease unless such failure is excused under other provisions of this Lease.

Section 8.2 - Remedies on Default:

8.2.1 In the event of a default under the provisions of Section 8.1, the Port at its option may terminate the Lease and at any time may exercise any other remedies available under law or equity for such default. Any notice to terminate may be given before or within the grace period for default and may be included in a notice of failure of compliance. No termination of this Lease pursuant to this Section 8.2 shall relieve Lessee of its liabilities and obligations under this Lease, and any damages shall survive any such termination.

8.2.2 If Lessee fails to perform any of its obligations under this Lease, the Port, without waiving any other remedies for such failure, may (but shall not be obligated to) perform such obligation for the account and at the expense of the Lessee, without notice in a case of emergency, and in any other case if such failure continues for 15 days after written notice from the Port specifying the nature of the failure. As used herein, "emergency" shall mean any activity, cause or effect under the control or direction of the Lessee, its employees, agents, invitees,

guests, or subcontractors involving the health, safety or general welfare of persons or property. The Port shall not be liable to Lessee for any claim for damage resulting from any such action by the Port. Lessee agrees to reimburse the Port upon demand for any expenses incurred by Lessor pursuant to this Lease together with interest thereon from the date of payment at the Port's then current interest rate.

8.2.3 Suit(s) or action(s) for the recovery of the rents and other amounts and damages, or for the recovery of possession may be brought by landlord, from time to time, at landlord's election, and nothing in this Lease will be deemed to require landlord to await the date on which the Lease Term expires. Each right and remedy in this Lease will be cumulative and will be in addition to every other right or remedy in this Lease or existing at law or in equity or by statute or otherwise, including, without limitation, suits for injunctive relief and specific performance. The exercise or beginning of the exercise by landlord of any such rights or remedies will not preclude the simultaneous or later exercise by landlord of any other such rights or remedies. All such rights and remedies are nonexclusive.

ARTICLE IX. - GENERAL PROVISIONS

Section 9.1 - Assignment and Sublease:

9.1.1 This Lease is personal to the Lessor and the Lessee. Except as provided herein, no part of the Premises nor any interest in

this Lease may be assigned, mortgaged, or subleased, nor may a right of use of any portion of the Premises be conveyed or conferred on any third person by any other means, without the prior written consent of the Port. Any assignment or attempted assignment without the Port's prior written consent shall be void. This provision shall apply to all transfers by operation of law. If the Lessee is a corporation, this provision shall apply to any sale of a controlling interest in the stock of the corporation.

9.1.2 Consent in one instance shall not prevent this provision from applying to a subsequent instance.

9.1.3 Other than the subleases for which the Port has given written consent concurrently with this Lease, in determining whether to consent to sublease, the Port may consider any factor, including the following factors: financial ability; business experience; intended use.

Section 9.2 - Nonwaiver: Waiver by either party of strict performance of any provision of this Lease shall not be a waiver of or prejudice the party's right to require strict performance of the same provision in the future or of any other provision. All waivers shall be in writing. The Port's acceptance of a late payment of rent does not waive any preceding or subsequent default other than the failure to pay the particular sum accepted.

Section 9.3 - Attorney's Fees: If suit or action is instituted in

connection with any controversy arising out of this Lease, the prevailing party shall be entitled to recover in addition to costs such sum as the court may adjudge reasonable as attorney fees, or in the event of appeal as allowed by the appellate court.

Section 9.4 - Law of Oregon: This Lease shall be governed by the laws of the State of Oregon. If a court of competent jurisdiction declares this Lease to be a public contract under ORS Chapter 279, then the parties agree that the contract provisions required by ORS Chapter 279 to be included in public contracts are hereby incorporated by reference and shall become a part of this Lease as if fully set forth herein.

Section 9.5 - Adherence to Law: The Lessee shall adhere to all applicable Federal, State, and local laws, rules, regulations, and ordinances, including but not limited to (1) laws governing its relationship with its employees, including but not limited to laws, rules, regulations, and policies concerning Worker's Compensation, and minimum and prevailing wage requirements; (2) laws, rules, regulations and policies relative to occupational safety and health, (3) all federal, state, regional and local laws, regulations and ordinances protecting the environment, and (4) all laws and regulations regarding the handling and disposal of Hazardous Substances.

9.5.1 Lessee shall not use or allow the use of the Premises or any part thereof for any unlawful purpose or in violation of any certificate

of occupancy, any certificate of compliance, or of any other certificate, law, statute, ordinance, or regulation covering or affecting the use of the Premises or any part thereof. Lessee shall not permit any act to be done or any condition to exist on the Premises or any part thereof which may be hazardous, which may constitute a nuisance, or which may void or make voidable any policy of insurance in force with respect to the Premises.

9.5.2 The Lessee shall promptly provide to the Port copies of all notices or other communications between the Lessee and any governmental entity which relate to the Lessee's noncompliance or alleged noncompliance with any law, ordinance, regulation, condition, or other applicable requirement lawfully imposed by any agency, governmental body, or quasi-governmental body having jurisdiction over the Lessee's use of the Premises.

9.5.3 Lessee shall obtain, and promptly advise the Port of receipt of all federal, state, or local governmental approvals or permits required by law or regulation for any activity or construction that Lessee may undertake on the Premises. Lessee shall provide the Port with copies of all such approvals and permits received by Lessee.

Section 9.6 - Time of Essence: Time is of the essence of each and every covenant and condition of this Lease.

Section 9.7 - Warranty of Authority: The individuals executing this

agreement warrant that they have full authority to execute this Lease on behalf of the entity for whom they are acting herein.

Section 9.8 - Headings: The article and section headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provisions of this Lease.

Section 9.9 - Consent of Port:

9.9.1 Subject to the provisions of Section 9.1, whenever consent, approval or direction by the Port is required under the terms contained herein, all such consent, approval, or direction shall be received in writing from an authorized representative of The Port of Portland.

9.9.2 If Lessee requests the Port's consent or approval pursuant to any provision of the Lease and the Port fails or refuses to give such consent, Lessee shall not be entitled to any damages as a result of such failure or refusal, whether or not unreasonable, it being intended the Lessee's sole remedy shall be an action for specific performance or injunction, and that such remedy shall be available only in those cases in which the Port has in fact acted unreasonably and has expressly agreed in writing not unreasonably to withhold its consent or may not unreasonably withhold its consent as a matter of law.

Section 9.10 - Notices: All notices required under this Lease shall

be deemed to be properly served if served personally or sent by certified mail to the last address previously furnished by the parties hereto. Until hereafter changed by the parties by notice in writing, notices shall be sent to the Port at The Port of Portland, Post Office Box 3529, Portland, Oregon 97208, or served personally at 5555 N. Channel Ave., Bldg. 50, Portland, Oregon, 97217, and to the Lessee at 3801 7th Avenue South, Seattle, Washington 98108. Date of Service of such notice is date such notice is personally served or deposited in a post office of the United States Post Office Department, postage prepaid.

Section 9.11 - Modification: Any modification of the Lease shall be mutually agreed upon and reduced to writing and shall not be effective until signed by the parties hereto.

Section 9.12 - No Benefit to Third Parties: The Port and the Lessee are the only parties to this Lease and as such are the only parties entitled to enforce its terms. Nothing in this Lease gives or shall be construed to give or provide any benefit, direct, indirect, or otherwise to third parties unless third persons are expressly described as intended to be beneficiaries of its terms.

Section 9.13 - Admittance: The Port shall not be liable for the consequences of admitting by pass-key or refusing to admit to said Premises the Lessee or any of the Lessee's agents or employees or other

persons claiming the right of admittance.

Section 9.14 - Regulations: The Port may, from time to time, adopt and enforce rules and regulations with respect to the use of said Premises, and Lessee agrees to observe and obey such rules and regulations.

Section 9.15 - Partial Invalidity: If any provision of this Lease or the application thereof to any person or circumstance is at any time or to any extent, held to be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 9.16 - Survival: All agreements (including, but not limited to, indemnification agreements) set forth in this Lease, the full performance of which are not required prior to the expiration or earlier termination of this Lease, shall survive the expiration or earlier termination of this Lease and be fully enforceable thereafter.

Section 9.17 - Entire Agreement: It is understood and agreed that this instrument contains the entire Agreement between the parties hereto. It is further understood and agreed by the Lessee that the Port and the

[illegible]

IN WITNESS WHEREOF, the parties hereto have subscribed their names.

LESSEE

By Robert T. Hoffman
"July 91"

By _____

THE PORT OF PORTLAND

By Anthony Thomas
EXECUTIVE DIRECTOR

By _____

APPROVED AS TO LEGAL SUFFICIENCY

[Signature]
Counsel for The Port of Portland

Coastal
07/91

Coastal

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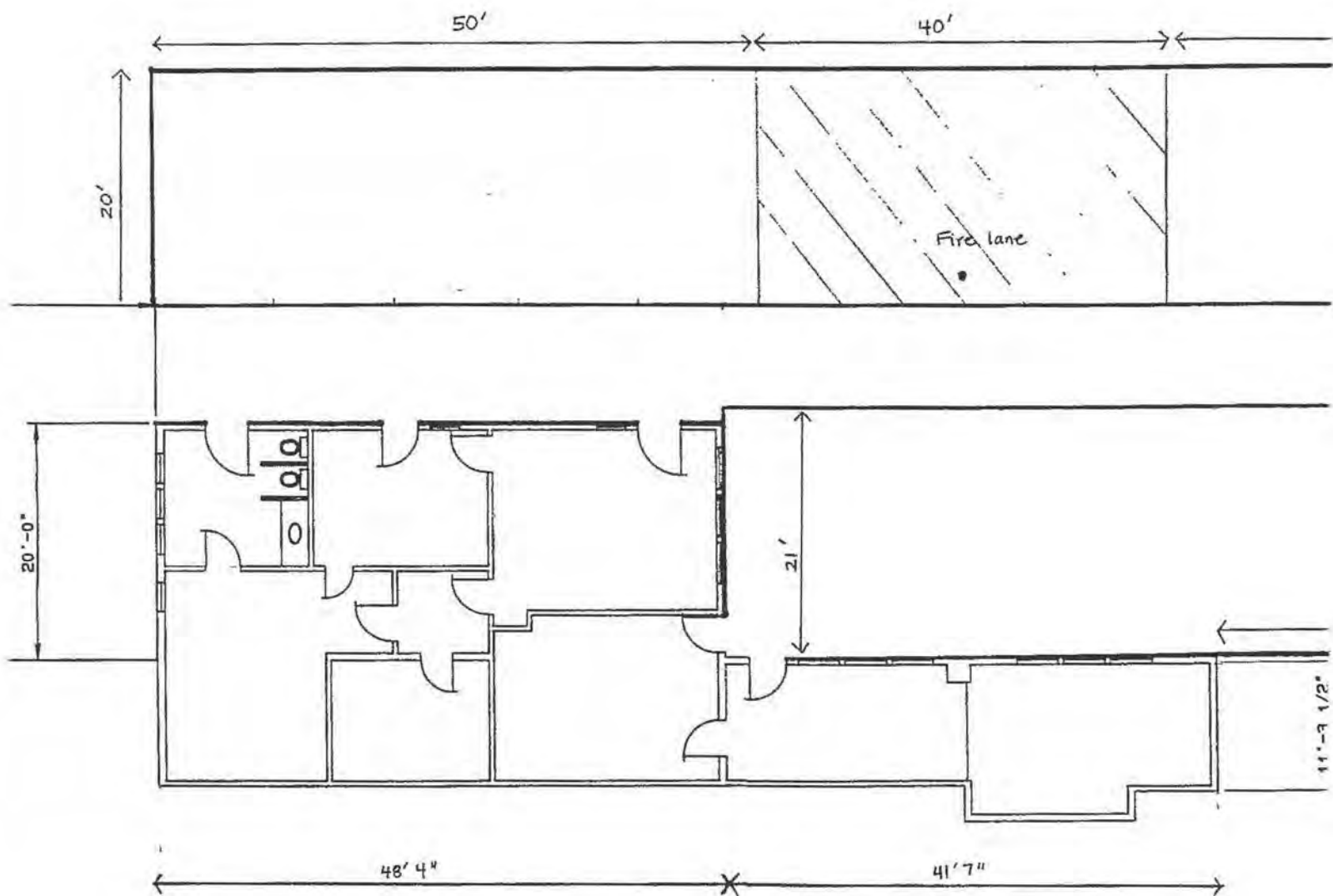


EXHIBIT A
Portland Ship Repair Yard
Building 4 Annex

EXHIBIT B

FOR UTILITY SERVICES BUILDING AREAS

This disclosure statement is part of the lease dated July 2, 1991, between the PORT OF PORTLAND and COASTAL COATINGS, INC. for the rental of the improved space identified in Attachment A. For the authorized purpose of the above lease, the following utilities shall be provided at the stated rates subject to change upon thirty days written notice by the Port.

Space	Sq. Ft.	Rate	Monthly	Utilities
			Amount	Provided
Building 4 Annex	640 sf	\$.109/sf	\$70.00	Electricity

Telephone service, refuse collection, and janitorial services are the responsibility of the Lessee.

ACKNOWLEDGED:

Robert T. Heenan 11 July 91
Lessee's signature Date

LEASE OF IMPROVED SPACE

PSY100002212

LEASE OF IMPROVED SPACE

THIS LEASE, dated September 6, 1988, by and between THE PORT OF PORTLAND, a municipal corporation of the State of Oregon (hereinafter referred to as "Port"), and ARCO ALASKA, INC., a corporation organized under the laws of the State of Delaware (hereinafter referred to as "ARCO");

W I T N E S S E T H:

WHEREAS, the Port desires to lease to ARCO certain land, warehouse space and office space located in the Portland Ship Repair Yard of the Port (hereinafter the "Yard"), City of Portland, Multnomah County, Oregon, a drawing of said Yard being attached hereto as Exhibit A, and by this reference incorporated herein; and

WHEREAS, ARCO desires to lease the Premises from the Port;

NOW, THEREFORE, in consideration of the mutual promises, covenants, terms and conditions contained herein, the parties agree as follows:

ARTICLE I - PREMISES

Section 1.1 - Description: Port leases to ARCO, and ARCO leases from Port, on the terms and conditions stated below, the Premises consisting of: (1) except for the area to be leased on a temporary

basis by Fought Iron Works, Inc., and only during the time of such temporary lease, approximately 18 acres with a modular office attached (Building 81), which is on the date of this Lease improved and collectively known as the Channel Avenue Module Site (hereinafter "Module Site"); (2) two bays of warehouse space located in Building 10, Areas C and D, shown in cross-hatch on Exhibit A (hereinafter "Warehouse Space"); (3) Bays 1, 5, and 6 in Building 4 shown in cross-hatch on Exhibit A (hereinafter "Fabrication Space"); (4) approximately 1 acre of paved area shown on Exhibit A highlighted in yellow (hereinafter "Yard Space"); and (5) Bay 7 of Building 4 and 1 acre of paved Yard Space (south side of Building 4), shown in blue highlight on Exhibit A (hereinafter "Supplemental Space"). Collectively, all space leased hereunder (hereinafter referred to as "Premises") is identified on Drawing No. M 88-9 1/1 attached hereto and made a part hereof. The lease of space to Fought Iron Works, Inc., shall be governed by the terms of Amendment No. 1 executed contemporaneously herewith and attached hereto.

Section 1.2 - Lease of Additional Space: Should ARCO require additional land within the Yard as shown in Exhibit A, or desires any improved outside area space or additional warehouse space or office space (hereinafter "Additional Space"), it shall advise Port of the amount of Additional Space needed and the time for which it is needed thirty days prior to the date on which ARCO wishes to occupy said Additional Space. Port shall in its own discretion determine whether such space is reasonably available consistent with Port's other needs

for the property. If the additional land or space is available, Port undertakes to supply such Additional Space to ARCO within twenty-five days of receipt of notice by ARCO. Rent for such Additional Space shall commence on the date of occupancy. However, at Port's option and by notice to ARCO, a common date may be fixed as the due date for all rents due hereunder; in the event Port elects a common rental due date, appropriate proration of accrued rents shall be made in accordance with the new due date. Any Additional Space added to the Lease pursuant to this provision shall be added to and become a part of the Premises.

Section 1.3 - Use of Premises: ARCO may use the Premises only for the purposes defined herein. No other use may be made of the Premises without the prior written consent of the Port.

1.3.1 ARCO agrees that it will use and occupy the Premises for the purpose of heavy manufacturing, including but not limited to the manufacture of buildings (modules) of steel and other materials.

1.3.2 ARCO shall not do or permit to be done on the Premises anything that shall constitute waste or a nuisance, or that will in any way interfere with the use by Port, or Port's other tenants, of the remainder of the Yard.

1.3.3 All parking of ARCO's employees, patrons, invitees, officers and directors shall be located on the Premises.

Section 1.4 - Appurtenant Rights: In addition to any appurtenant rights permitted by law, the Lessee shall, during the term hereof, have the appurtenant rights specified in Subsection 1.4.1 below.

1.4.1 Subject to and in accordance with all applicable laws and ordinances and such reasonable rules and regulations as may be adopted by the Port for the regulation thereof, ARCO shall have the right and privilege over the roads, ways and public areas of the Yard for ingress to and egress from any Premises it might occupy in the Yard pursuant to this Lease, and the public facilities used in connection therewith, for its agents, servants or employees and passengers, patrons, invitees, its suppliers of material, fuel and furnishers of services, and its equipment, vehicles, machinery, necessary or required, for the performance of its business conducted at the Yard.

Nothing in this section shall be construed as in any way limiting the general power of the Port to fully exercise its governmental functions.

ARTICLE II - TERM

The term of this Lease shall commence on August 15, 1988, and shall continue for one year through August 14, 1989, for the Module Site. For the Warehouse Space, the Fabrication Space, and Yard Space the term shall commence on August 15, 1988, and shall continue until May 31, 1989, at which time the term shall continue on a month-to-month basis unless terminated by either party upon giving not

less than thirty days' written notice of termination to the other party. For the Supplemental Space, the term shall commence August 15, 1988, and continue until November 1, 1988. These term provisions shall apply unless otherwise terminated under the provisions contained in this Agreement.

ARTICLE III - RENTAL

Section 3.1 - Basic Rent: ARCO shall pay to Port as rent the following amounts: (1) for the Module Site, \$15,500 per month; (2) for the Warehouse Space, \$5,400 per month; (3) for the Fabrication Space, \$13,500 per month; and (4) for the Yard Space, \$2,613.60 per month. Rent shall be payable on the tenth day of each month in advance, except that in the event commencement date is other than the first, rent for the first month shall be prorated to the first and shall be paid upon the execution of this Lease, and the Port, by signature hereto, acknowledges receipt of this sum.

3.1.1 Any additional services requested by ARCO not included in the rental rate specified above shall be billed and paid in accordance with the Port's published tariff rates as contained in Tariff 37B, supplements thereto or reissues thereof.

3.1.2 In the event ARCO requests the Port to construct, and the Port agrees, the cost of such improvements shall be amortized on a monthly basis over the remaining term at an interest rate of 1 percent over the published prime rate of U.S. National Bank of Oregon, N.A.

Section 3.2 - Place of Payments: Payment shall be to Port at The Port of Portland, Finance and Administration, Post Office Box 5095, Portland, Oregon 97208, or such other place as Port may designate. All amounts not paid by ARCO when due shall bear a delinquency charge at the rate of 18 percent per annum. The delinquency rate of 18 percent on overdue accounts is subject to periodic adjustment to reflect the Port's then-current rate charged on overdue accounts.

ARTICLE IV - LESSEE'S OTHER OBLIGATIONS

Section 4.1 - Construction of Modules: ARCO recognizes that it is a fundamental purpose of the State of Oregon and of Port to develop, enhance, and promote the maritime development of the Port. ARCO further recognizes that the Port has an obligation to encourage economic development within its boundaries and that the essential consideration for the Port in executing this Agreement is to create jobs for the citizens of the metropolitan region of Portland, Oregon. As a part of the consideration of this Lease, the Port has negotiated a financial return in anticipation of the completion of the module project.

4.1.1 ARCO further recognizes that Port has devoted a substantial amount of staff time preparing this Lease and has incurred substantial engineering and construction costs associated with the development of its proposal and the Premises. ARCO agrees that failure to construct and manufacture the planned modules for the 1989 Sea-Lift project during the Term of this Lease is inconsistent with the intended purpose for the Port entering into this Lease and its establishment of the lease rate and such failure shall be a material

breach of this Section 4.1, unless such failure results from force majeure. Because of the difficulty of determining the actual loss and monetary damages to Port due to this material breach during the Term, ARCO agrees to pay the Port as damages representing a reasonable approximation of the actual damages which Port would suffer in such event and not as a penalty, liquidated damages in the amount of \$500,000.

Section 4.2 - Load-Out:

4.2.1 Not less than thirty days after execution of the Agreement, prior to any movement of structural bases or modules over the Premises, Port property, or facilities, ARCO shall submit the name of a registered engineer for approval or rejection by the Port. Upon approval of the engineer (hereinafter "Engineer"), ARCO shall submit a detailed plan. The plan, at a minimum, shall include all necessary modifications to Port property or facilities, the blocking detail for the barge, the overall logistics and schedule detail.

4.2.2 ARCO shall have responsibility for all module load-out costs and expenses, including but not limited to, any design and construction or installation costs deemed necessary to prepare or modify the load-out bridge to accommodate load-out of the modules. Said design, construction, and installation shall be approved by the Engineer. Such design and construction by ARCO shall adequately protect the structural integrity of the Port's facilities, including the approach road, pilings, underground utilities, sheet pile bulkheads, bridges, ramps, and any other affected property or

facility. In the event the Port deems modifications or improvements to the approach road and/or bridge reasonably necessary to protect the structural integrity of such facilities, which modifications or improvements are in excess of the requirements of the Engineer, the Port may require ARCO to make such modifications or improvements; provided that modifications or improvements required by the Port shall not exceed \$300,000 in excess of those required by the Engineer. ARCO shall be responsible for any modifications or improvements required by the barge company and/or the transportation company, or those deemed necessary by ARCO.

4.2.3 ARCO shall pay \$24,000 per day for the use of the load-out bridge. For the 1989 Sea Lift only, ARCO shall have the use of the load-out bridge system for seven consecutive calendar days without charge, provided that the load-out period shall commence on a Saturday. In the event the load-out does not commence on a Saturday, ARCO shall have five days use of the bridge system without charge.

4.2.4 Shipyard services requested of the Port by ARCO such as use of dry docks or berths, blocking, docking and undocking shall be billed by the Port and shall be paid by ARCO at the standard shipyard rates pursuant to Tariff 37-B, as amended. ARCO shall exercise best efforts to minimize the schedule conflicts for the load-out dock. ARCO's load-out schedule shall be approved by the Port.

4.2.5 No charge will be made for Use and Rehabilitation fees or wharfage for the 1989 Sea Lift.

Section 4.3 - Maintenance: ARCO shall at all times take good care of the Premises and shall keep and maintain the Premises and all improvements of any kind in good and substantial repair and condition. ARCO shall arrange and pay for janitorial services or make other arrangements acceptable to the Port, to keep the Premises free and clear of rubbish, debris, and litter at all times. Port shall at all times during ordinary business hours have the right to enter upon and inspect such Premises. Such inspections shall be made only at a mutually agreeable time(s).

Section 4.4 - Utilities: ARCO shall promptly pay any charges for telephone, sewer, water, heat, electricity, and all other charges for utilities which may be furnished to the Premises at the request of or for the benefit of ARCO. Utilities listed in Exhibit B shall be billed at cost in accordance with the provisions contained in Exhibit B.

4.4.1 With respect to Building 81, Fabrication Space, and Warehouse Space, ARCO shall not, without the Port's consent, operate or install any electrical equipment or operate or install any machinery or mechanical device on said Premises other than that normal to office, fabrication, and warehouse use. No electric wiring, satellite or cable receiving equipment, electronic transmitting devices other than telephone, telex, radios, pagers or telecopier machine shall be

installed, maintained or operated on said Premises except with the approval of and in a manner satisfactory to the Port; and in no event shall ARCO overload the electrical circuits from which ARCO obtains current.

Section 4.5 - Taxes: ARCO agrees to pay all lawful taxes and assessments which, during the term hereof or any extension, may become a lien or which may be levied by the state, county, city, or any other tax-levying body upon the Premises or upon any taxable interest by ARCO acquired in this Lease or any taxable possessory right which ARCO may have in or to the Premises or facilities hereby leased or the improvements thereon by reason of its occupancy thereof as well as all taxes on all taxable property, real or personal, owned by ARCO in or about said Premises. Upon making such payments, ARCO shall give to the Port a copy of the receipts and vouchers showing such payment. Upon any termination of tenancy, all taxes then levied or then a lien on any of said property or taxable interest therein shall be paid in full without proration by ARCO forthwith or as soon as a statement thereof has been issued by tax collector. ARCO understands that in the event ARCO is in occupancy after July 1 of any year, the full amount assessed for that tax year shall be the obligation of ARCO.

Section 4.6 - Liens: ARCO shall not suffer or permit any mechanic's lien to be filed against the fee of the demised Premises nor against ARCO's leasehold interest in said Premises by reason of work, labor, services, or materials thereof through or under ARCO, and

nothing in this Lease contained shall be deemed or construed in any way as constituting the consent or request of the Port, express or implied, by inference or otherwise to any contractor, subcontractor, laborer, or materialman for the performance of any labor or the furnishing of any materials for any specific improvement, alteration, or repair of or to the demised Premises or any part thereof, nor as giving ARCO any right, power, or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to the filing of any mechanic's lien against the fee of the demised Premises. If any such mechanic's lien shall at any time be filed against demised Premises, the ARCO shall cause the same to be discharged of record within twenty days after the date of filing the same.

Section 4.7 - Uses of Office Areas: ARCO shall not use or permit in the office space areas of the Premises anything that shall increase the rate of fire insurance thereon or prevent the Port from taking advantage of any ruling of the Insurance Services Office of Oregon or its successors, which would allow the Port to obtain reduced rates for long-term insurance policies; or maintain anything that may be dangerous to life or limb; or in any manner deface or injure said building or any portion thereof; or overload the floors; or permit any objectionable noise or odor to escape or to be emitted from said Premises; or permit anything to be done upon said Premises in any way tending to create a nuisance or to disturb any other tenants of the building, or to injure the reputation of the building; or to use or

permit the use of said Premises for lodging or sleeping purposes or for any immoral or illegal purposes; and that ARCO shall comply at ARCO's own cost and expense with all orders, notices, regulations, or requirements of any municipality, state, or other governmental authority respecting the use of said Premises.

Section 4.8 - Alterations: ARCO shall make no installations, alterations, modification, or additions to said Premises without first obtaining the written consent of the Port and all additions, improvements, and fixtures, except the movable office furniture and trade fixtures of ARCO, made or added either by ARCO or Port shall be and remain the property of the Port; provided, however, the Port may require that ARCO remove upon termination of this Lease any additions made or fixtures added by ARCO at ARCO's expense.

ARTICLE V - PORT OBLIGATIONS, REPRESENTATIONS, AND WARRANTIES

Section 5.1 - Delivery: Should Port be unable to deliver possession of the Premises on the date fixed for the commencement of the term, ARCO shall owe no rent until notice from Port tendering possession to ARCO. If possession is not so tendered within sixty days following commencement of the term, then ARCO may elect to cancel this Lease by notice to Port within ten days following expiration of the sixty-day period. Port shall have no liability to ARCO for delay in delivering possession, nor shall such delay extend the term of this Lease in any manner.

In the event Port shall permit ARCO to occupy the Premises prior to the commencement date herein set forth, such occupancy shall be subject to all the provisions of this Lease. Said early possession shall not advance the termination date hereinabove provided.

Section 5.2 - Quiet Enjoyment: The Port represents and warrants that it has the right to enter into this Lease and that from the time ARCO occupies the Premises, the Port, except as otherwise provided herein, agrees that ARCO may quietly have, hold, and enjoy the Premises during the term, and the Port agrees to defend ARCO's lease rights against the claim of any party claiming by or through the Port, provided that ARCO is not in default of this Agreement.

Section 5.3 - Condition of Premises: The Port makes no warranties or representations on the condition of the Premises. ARCO has inspected and, except as specifically provided herein, accepts the Premises in an "as is" condition upon taking possession, and the Port shall have no liability to ARCO for any damage or injury caused by the condition of Premises.

ARTICLE VI - LIABILITY, INDEMNITY, AND INSURANCE

Section 6.1 - Liability: The Port shall not be liable to ARCO for damage to person or property resulting from the negligence of a cotenant or anyone else other than the Port, or for any damage to person or property resulting from any condition of the Premises or other cause, including but not limited to damage by water, not

resulting from the negligence of the Port, nor shall the Port be liable under any circumstances for consequential damages or lost profits. The Port's liability shall be limited to losses at the Premises caused by the action or inaction of the Port.

Section 6.2 - Indemnity: ARCO shall indemnify and save harmless the Port against and from any and all claims by or on behalf of any person, firm, or corporation arising from the conduct or management of or from any work or thing whatsoever done by ARCO or its agents, contractors, servants, or employees in or about the Premises or the building, and shall further indemnify and save the Port harmless against and from any and all claims arising from any breach or default on the part of ARCO in the performance of any covenant or agreement on the part of ARCO to be performed, pursuant to the terms of this Lease or arising from any act of negligence of ARCO, or any of its agents, contractors, servants, or employees occurring during the term of this Lease in or about the demised Premises or the building, and from and against all costs, counsel fees, expenses, and liabilities incurred in or about any such claim or action or proceeding brought thereon. In case any action or proceeding be brought against the Port by reason of any such claim, the Port may, at its option, require that ARCO resist or defend such action or proceeding at ARCO's own cost and expense and by counsel reasonably satisfactory to the Port.

6.2.1 In addition to the indemnity provided in Section 6.2 above, the Lessee agrees to indemnify, save, and hold harmless the Port from and against all damages, costs, liabilities,

and expenses caused by, arising out of, or in connection with, the handling, storage, discharge, transportation, or disposal of hazardous or toxic wastes or substances, pollutants, oils, materials or contaminants, as those terms are defined by federal, state, or local environmental law or regulation, including but not limited to, the Resource Conservation and Recovery Act (RCRA) (42 U.S.C. §6901 et. seq.); the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) (42 U.S.C. §9601, et. seq.); the Toxic Substances Control Act (15 U.S.C. §2601, et. seq.); the Clean Water Act (33 U.S.C. §1251, et. seq.); the Clean Air Act (42 U.S.C. §7401 et. seq.); and 1985 Oregon Laws Ch. 733, as the same may be amended from time to time. Such damages, costs, liabilities and expenses shall include such as are claimed to be owed by any regulating and administering agency.

Section 6.3 - Insurance: ARCO shall maintain a general commercial and automobile liability and environmental impairment liability insurance policy(ies) for the protection of ARCO, directors, officers, servants, and employees, insuring ARCO against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to the Premises leased or occasioned by reason of the operations of ARCO with insurance of not less than \$5,000,000 combined single limit. Such insurance shall name the Port, its commissioners, officers, and employees as additional named insureds with the stipulation that this insurance, as to the interest of the Port only

therein, shall not be invalidated by any act or neglect or breach of contract by ARCO.

6.3.1 ARCO shall furnish to the Port an acceptable certificate evidencing the date, amount, and type of insurance that has been procured pursuant to this Lease. Such certificate may be a certificate of self-insurance certifying the amounts which are self-insured. All policies of insurance shall provide for not less than thirty days' written notice to the Port and ARCO before such policies may be revised, nonrenewed, or cancelled.

ARTICLE VII - DEFAULT AND REMEDIES

Section 7.1 - Events of Default: The following shall be events of default:

7.1.1 Default in Rent: Failure of ARCO to pay any rent or other charge within ten days after it is due.

7.1.2 Default in Other Covenants: Failure of ARCO to comply with any term or condition or fulfill any obligation of ARCO (other than the payment of rent or other charges) within thirty days after written notice by Port specifying the nature of the default with reasonable particularity. If the default is of such a nature that it cannot be completely remedied within the thirty-day period, this provision shall be complied with if ARCO begins correction of the default within the thirty-day period and thereafter proceeds with reasonable diligence and in good faith to effect the remedy as soon as practicable.

7.1.3 Insolvency: To the extent provided by the U.S. Bankruptcy Code, insolvency of ARCO; an assignment by ARCO for the benefit of creditors; the filing by ARCO of a voluntary petition in bankruptcy; an adjudication that ARCO is bankrupt or, the appointment of a receiver of the properties of ARCO; the filing of an involuntary petition of bankruptcy and failure of ARCO to secure a dismissal of the petition within thirty days after filing; attachment of or the levying of execution on the leasehold interest and failure of ARCO to secure discharge of the attachment or release of the levy of execution within ten days.

7.1.4 Abandonment: Failure of ARCO for fifteen days or more to occupy the property for one or more of the purposes permitted under this Agreement, unless such failure is excused under other provisions of this Agreement.

Section 7.2 - Remedies on Default:

7.2.1 In the event of a default under the provisions of Sections 7.1, the Port at its option may terminate the Lease and at any time may exercise any other remedies available under law or equity for such default. Any notice to terminate may be given before or within the grace period for default and may be included in a notice of failure of compliance.

7.2.2 Suit(s) or action(s) for the recovery of the rents and other amounts and damages, or for the recovery of possession may

be brought by landlord, from time to time, at landlord's election, and nothing in this Lease will be deemed to require landlord to await the date on which the Lease Term expires. In the event the rental paid under this Lease is based upon percentage rent, the rent owed to the Port for the remainder of the Lease Term shall be the average annual rent paid over the previous four years multiplied by the number of remaining lease years. Each right and remedy in this Lease will be cumulative and will be in addition to every other right or remedy in this Lease or existing at law or in equity or by statute or otherwise, including, without limitation, suits for injunctive relief and specific performance. The exercise or beginning of the exercise by landlord of any such rights or remedies will not preclude the simultaneous or later exercise by landlord of any other such rights or remedies. All such rights and remedies are nonexclusive.

ARTICLE VIII - GENERAL PROVISIONS

Section 8.1 - Assignment or Subletting of Interest or Rights:

Except as otherwise provided herein, ARCO shall not assign this Lease or any interest therein, and shall not sublet the Premises or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person (the agents and servants of ARCO excepted) to occupy or use the Premises or any portion thereto, without the written consent of Port. A consent to one assignment, subletting, occupation or use by another person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation or use by another person. Any such assignment or subletting without such consent shall

be void and shall, at the option of Port, be grounds for terminating this Lease. This Lease shall not, nor shall any interest therein, be assignable as to the interest of ARCO by operation of law without the written consent of Port. Any transfer of the ownership of more than 50 percent of the capital or membership of ARCO shall not constitute an assignment of this Lease. The provisions hereof shall not apply, in that Port gives consent, to any assignment or subleasing by ARCO to Atlantic Richfield Company or to any of its divisions or subsidiary companies. This Lease may be assigned or subleased in whole or in part to a financially solvent third party designee performing similar module manufacturing or other manufacturing subject to approval of the Port, which approval shall not be unreasonably withheld.

Section 8.2 - Inspection: The Port and the Port's agents, janitors, workmen, and engineers may retain and use a passkey to the Premises described herein to enable them to examine said Premises from time to time with reference to any emergency or to the general maintenance of said Premises, or for the purposes of exhibiting the same.

Section 8.3 - Vacation: Upon vacation or abandonment of the Premises by ARCO prior to the expiration of the Lease term without written consent of the Port endorsed hereon, the Port may forthwith enter upon the Premises or any portion thereof and relet and otherwise exercise control over the same and that for the purpose of such reletting the said Port is authorized at the cost of ARCO to make any

repairs, changes, alterations, or additions in or to said demised Premises which may be necessary in the opinion of the Port for the purpose of such reletting, and such entry and control shall not release ARCO from the obligations herein, but ARCO shall nevertheless remain liable and continue bound, unless the Port, at Port's election, shall cancel the Lease and in the event cancellation shall be effected and Port and ARCO released from all obligations thereunder thereafter to accrue, upon the mailing of such notice of cancellation by Port to ARCO at ARCO's last known address.

Section 8.4 - Surrender: Upon surrender of the Premises or termination of the Agreement for any reason, ARCO shall deliver all keys to the Port and surrender the Premises in good condition. Alterations constructed by ARCO with permission from the Port shall not be removed or restored to the original condition unless the terms of permission for the alteration so require. Depreciation and wear from ordinary use of the purpose for which the Premises were let need not be restored, but all repair for which ARCO is responsible shall be completed to the latest practical date prior to such surrender. The voluntary or other surrender of this Lease by ARCO, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of Port, terminate all or any existing subleases or subtenancies, or may, at the option of Port, operate as an assignment to it of any or all such subleases or subtenancies.

Section 8.5 - Holding Over: If ARCO shall hold over after the expiration of the term of this Lease, and shall not have agreed in writing with the Port upon the terms and provisions of a new lease prior to such expiration, ARCO shall remain bound by all terms, covenants, and agreements hereof, except that: (1) the tenancy shall be from month-to-month subject to the payment of all rent in advance, the monthly rate being proportional to the previous annual rent paid by the Lessee; (2) title to Improvements shall have vested in the Port pursuant to Section 7.4 hereof; (3) the Port shall have the right to adjust the rental payments, charges or use fees upon thirty days' written notice to the Lessee; and (4) such month-to-month tenancy may be terminated at any time by written notice from the Port to the Lessee. In the event of hold over beyond June 30 of any year, the Lessee shall be responsible for payment of property taxes for the entire year without proration.

Section 8.6 - Waiver: Any waivers shall be in writing. The covenants of this Lease are continuing covenants and the waiver by the Lessor of breaches of said covenants shall not be deemed a waiver of subsequent breaches thereof.

Section 8.7 - Modification: This Lease may not be modified except by endorsement in writing attached to this Lease, dated and signed by all the parties hereto, and Port shall not be bound by any oral or written statement of any servant, agent, or employee modifying this Lease.

Section 8.8 - Time of Essence: It is mutually agreed that time is of the essence in the performance of all covenants and conditions to be kept and performed under the terms of this Agreement.

Section 8.9 - Subordination: This Lease shall be subject and subordinate to such liens and encumbrances as are now on or as Port may hereafter impose on the land and building, and ARCO shall, upon request of Port, execute and deliver agreements of subordination consistent herewith.

Section 8.10 - Consent of Port: Whenever consent, approval, or direction by the Port is required under the terms contained herein, all such consent, approval, or direction shall be received in writing from the Executive Director of the Port of Portland.

Section 8.11 - Notices: Any and all notices from or demands by Port or ARCO, as appropriate, shall be in writing. Such notices shall be served either personally or by registered or certified mail or by telegram. If served personally, service shall be conclusively deemed made at the time of service. If served by registered or certified mail, service shall be conclusively deemed made forty-eight hours after the deposit thereof in the United States mail, postage prepaid, addressed to the party to whom such notice or demand is to be given as hereinafter provided. If served by telegraph, service shall be conclusively deemed made at the time that the telegraphic agency shall confirm to the sender delivery thereof to the addressee.

Any notice or demand to Port may be given unto it at:

Port of Portland
Portland Ship Repair Yard
5555 North Channel Avenue
Portland, Oregon 97217
Attention: Dennis C. Frakes

Any notice or demand to ARCO may be given unto it at:

ARCO Alaska, Inc.
P.O. Box 7099
Pasadena, California 91109
Attention: John D. Purl

Section 8.12 - Rules and Regulations: The Port may, from time to time, adopt and enforce reasonable rules and regulations with respect to the use of the ship repair yard common areas, which ARCO agrees to observe and obey.

Section 8.13 - Compliance with Law: ARCO shall, at its sole cost and expense, comply with all of the requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the Premises, including, without limitation, air pollution, water pollution and noise abatement regulations and tax, zoning and building code laws, and shall faithfully observe in the use of the Premises all municipal ordinances and state and federal statutes now in force or which may hereafter be in force. Port will assist and cooperate with ARCO in such compliances. ARCO agrees to maintain its entire operation to conform and comply with applicable zoning regulations and in the event of any change or modification of

such regulations that in ARCO's sole discretion would prohibit, preclude or substantially impair the contemplated use of the Premises by ARCO, ARCO may elect to terminate this Lease as of the effective date of such changed zoning regulations, and ARCO's obligation for rental payments shall cease on such date. Port shall promptly notify ARCO of any change or proposed change in the zoning regulations affecting the Premises. Port agrees to resist any attempts to rezone the Premises or any portion thereof, the result of which would cause interference with ARCO's intended use of the Premises, and Port agrees to join in and cooperate with ARCO in its efforts to prevent any such zoning change.

Section 8.14 - Force Majeure: The duties and obligations of each of the parties to perform construction work hereunder shall be suspended during such time as performance by either party is prevented or made impracticable by occurrences beyond the control of the party affected, and to the extent such occurrences are not due to the fault or negligence of the party affected. Such occurrences shall include, but shall not be limited to strikes, labor disturbances, riots, fire, governmental actions nonreceipt of equipment or materials, war, acts of God or other causes of a similar nature.

The foregoing shall not be considered a waiver of either party's obligation under this Lease and further, the party seeking relief under this clause shall be required to have used reasonable diligence in seeking to overcome such obstacles, and performance shall have been resumed within a reasonable time after the obstacle is removed.

Section 8.15 - Parties: The rights, liabilities, and remedies provided for herein shall extend to the heirs, legal representatives, successors and, so far as the terms of this Lease permit, assigns of the parties hereto, and the words "Port" and "ARCO" and their accompanying verbs or pronouns, wherever used in this Lease, shall apply equally to all persons, firms, or corporations which may be or become parties hereto.

Section 8.16 - No Benefit to Third Parties: The Port and ARCO are the only parties to this Lease and as such are the only parties entitled to enforce its terms. Nothing in this Lease gives or shall be construed to give or provide any benefit, direct, indirect, or otherwise to third parties unless third persons are expressly described as intended to be beneficiaries of its terms.

Section 8.17 - Headings: The article and section headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provisions of this Agreement.

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Section 8.18 - Attorney's Fees: If any suit or appeal thereof is instituted by either party for the enforcement of any covenant contained in this Lease, the prevailing party shall recover, in addition to costs and disbursements, such attorneys' fees as the Court may adjudge reasonable to be allowed in such suit or action or appeal thereof.

ARCO ALASKA, INC.

By *Jordan J. Aall*
for J. H. Plonzer (WSO)

By _____

THE PORT OF PORTLAND

By *Robert L. Woodfill*

EXECUTIVE DIRECTOR
By _____

APPROVED AS TO LEGAL SUFFICIENCY

[Signature]
Counsel for
The Port of Portland

08/31/88
4097L:12L279

EXHIBIT B

Page 1 of 2

This disclosure statement refers to the lease dated August 15, 1988, between the PORT OF PORTLAND and ARCO ALASKA for the month-to-month rental of the improved space commonly known as improved open yard space.

For the authorized purposes of the above lease, the following utilities will be provided at the stated rates:

	<u>UTILITY</u>	<u>NOTE</u>
Flat Rate	Electricity	(\$0.08/kwh)
Metered	Natural Gas	(\$0.46/ccf)
N/A	Steam	(\$265.00/service day)
Flat Rate	Compressed Air	(\$17.50/workday-Light Service) (\$70.00/workday-Heavy Service)
N/A	Oxygen-with Gas	(\$5.00/100 cf of Gas Consumed)
N/A	Area Heat	(Office Areas Only)
N/A	Area Air Cond.	(HVAC Areas Only)
Flat Rate	Water	
Flat Rate	Sewer	
Summary	Flat rate of:	
	Warehouse/Shop	30,000 sf @ \$0.05 = \$1,450.00
	Crane Served Shop	-0- sf @ \$0.05 = \$ 0.00
	Heated Office	-0- sf @ \$0.10 = \$ 0.00
	HVAC Office	-0- sf @ \$0.15 = \$ 0.00
	Total	30,000 sf = \$1,450 per month

TELEPHONE SERVICE, REFUSE COLLECTION, AND JANITORIAL SERVICES ARE THE RESPONSIBILITY OF THE LESSEE.

The rates are subject to change upon thirty-days notice.

EXHIBIT B

Page 2 of 2

This disclosure statement is attached to and a part of the lease dated August 15, 1988, between the PORT OF PORTLAND and ARCO ALASKA for the lease of improved space known as Building 4. For the purpose of this lease, the following utilities are provided at the stated rates subject to change on thirty-days notice:

I. ELECTRICITY

The charge will be based on a monthly meter reading and the current tariff rate (\$0.08 per KWH on 5/85) per KWH. Each bay of Building 4 may be separately metered.

II. GAS & OXYGEN

The charge will be based on a monthly meter reading and the current tariff rate (\$5.00 per 100 cf of gas consumed-- assumes four parts oxygen to one part natural gas). Each bay of Building 4 may be metered separately.

III. WATER & SEWER

Each bay is assessed at the rate of \$137.50 per month.

IV. COMPRESSED AIR

The minimum service charge per bay is \$17.50 per workday with a 22 workday per month minimum and includes light duty service (air impact tools). Heavy use of air (blasting and coating) requires prior arrangement with PSRY Operations and is charged at \$70.00 per day.

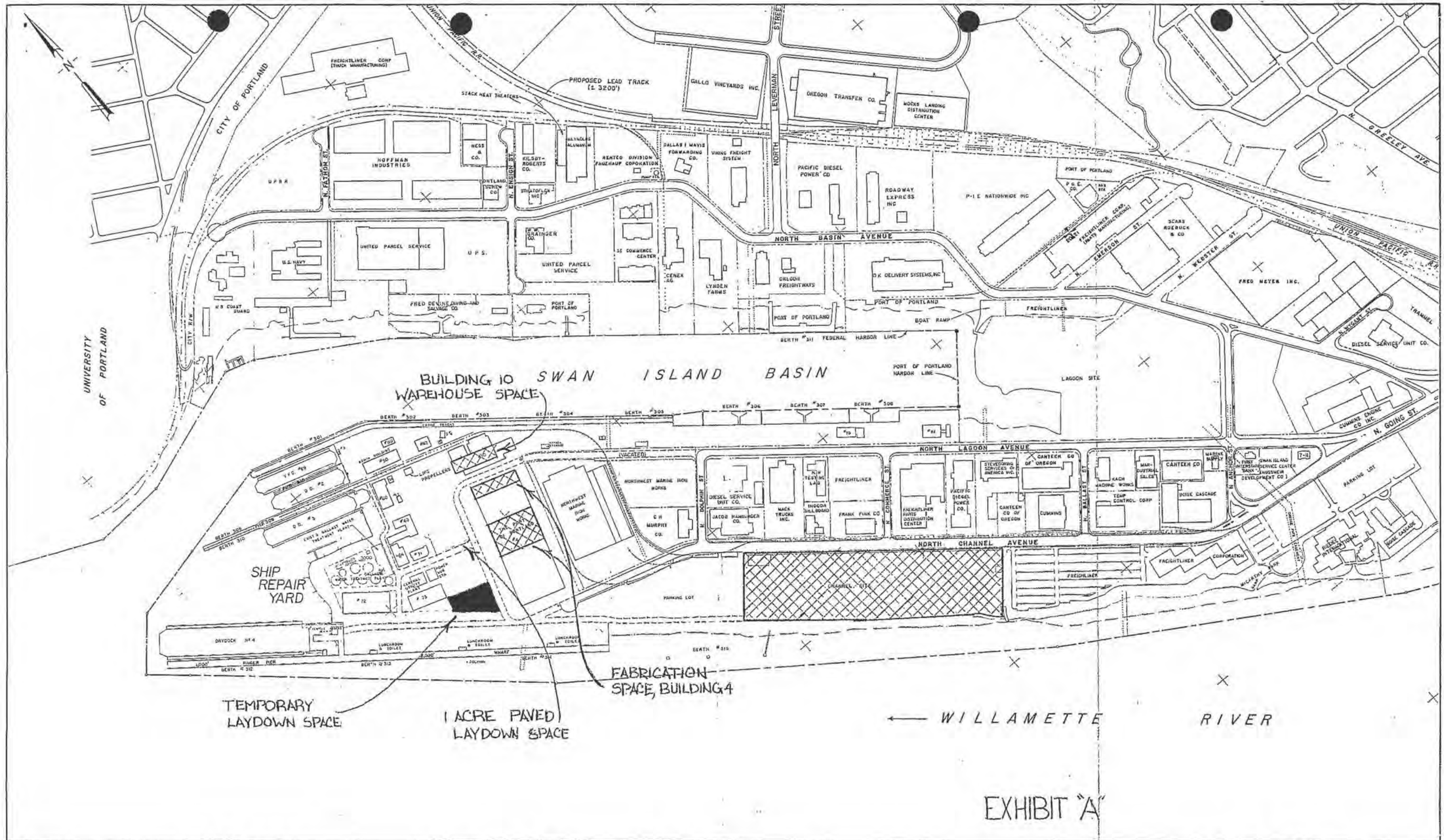



EXHIBIT "A"

PORT OF PORTLAND PORTLAND, OREGON										PORTLAND SHIP REPAIR YARD									
										SITE PLAN									
										DESIGNED BY T. TRUONG									
										DRAWN BY V. MALLONEE									
										CHECKED BY JULY, 1988									
NO. DATE BY REVISIONS										SUBMITTED BY									
NO. DATE BY REVISIONS										DRAWING NO. M 88-9 1/1									

50% REDUCTION

PSY100002241

LEASE AMENDMENT NO. 3

THIS AMENDMENT NO. 3 is entered into by and between the PORT OF PORTLAND ("Port") and ARCO ALASKA, INC. ("ARCO"), and, to the extent described herein, Fought & Company, Inc. ("Fought").

W I T N E S S E T H:

WHEREAS, the Port and ARCO have entered into a Lease dated September 6, 1988 ("Original Lease"); said Original Lease being amended by Amendment No. 2, dated May 25, 1989, ("Lease Amendment"); and

WHEREAS, the Port, ARCO, and Fought desire to provide for the lease of a portion of the Channel Avenue Module Site as defined in the Original Lease;

NOW, THEREFORE, in consideration of the mutual covenants herein, the parties agree as follows:

I.

The Port agrees to lease 168,750 square feet of space to Fought and Fought agrees to lease said space from the Port, said space being identified on Exhibit A. Said space shall be leased to Fought commencing July 31, 1989, and ending when mutually agreed to by the parties, but not later than August 18, 1989.

During time such space is leased to Fought, Fought shall be obligated to pay, and shall pay, the lease payment provided herein.

II.

Fought shall pay the Port \$2,511.78 per month as rent for space leased pursuant to this Amendment.

III.

ARCO agrees to the lease of said space to Fought.

IV.

With respect to the space leased to Fought under this Amendment, all provisions of the Original Lease shall apply between the Port and Fought except the following: Sections 1.1, 1.2, Article II, Sections 3.1, 4.1, and 4.2. As applied to this Amendment, the obligations of ARCO shall be the obligations of Fought. Reference to sections shall include all subsections thereof.

V.


This Amendment shall be effective on July 31, 1989.

VI.

Except as modified herein, the Original Lease, and the Lease Amendment thereto, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment No. ³₂
this 18th day of August, 1989.

ARCO ALASKA, INC.

WJS
JH By 
J. H. Flenger
Project Manager

August 3, 1989

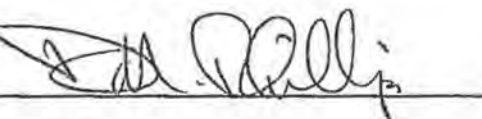
THE PORT OF PORTLAND

By 
EXECUTIVE DIRECTOR

FOUGHT & COMPANY

By  7/31/89

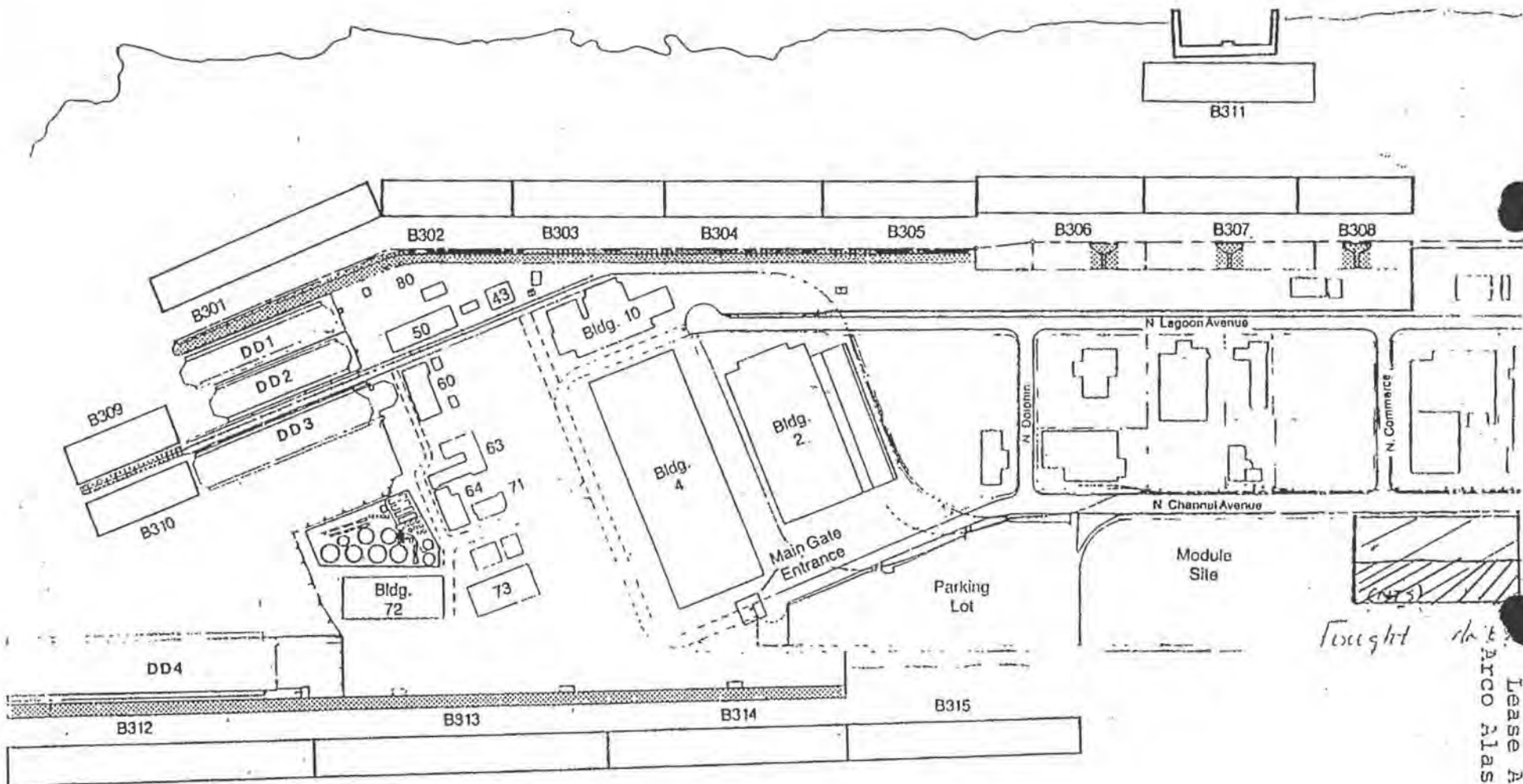
APPROVED AS TO LEGAL SUFFICIENCY



Counsel for

The Port of Portland

By _____



Form No. 591

Exhibit A
 Lease Amendment No. 3
 Arco Alaska, Inc. - Fought
 Co.
 11/86

PSY100002245

LEASE AMENDMENT NO. 2

THIS AMENDMENT NO. 2 is entered into by and between the PORT OF PORTLAND ("Port") and ARCO ALASKA, INC. ("ARCO"), and, to the extent described herein, Fought & Company, Inc. ("Fought"),

W I T N E S S E T H:

WHEREAS, the Port and ARCO have entered into a Lease dated September 6, 1988 ("Original Lease"), said Original Lease being amended by Amendment No. 1, dated September 13, 1988, ("Lease Amendment"); and

WHEREAS, the Port, ARCO, and Fought desire to provide for the lease of a portion of the Channel Avenue Module Site as defined in the Original Lease;

NOW, THEREFORE, in consideration of the mutual covenants herein, the parties agree as follows:

I.

The Port agrees to lease 337,500 square feet of space to Fought and Fought agrees to lease said space from the Port, said space being identified on Exhibit A. Said space shall be leased to Fought commencing May 22, 1989, and ending when mutually agreed to by the parties, but not later than August 18, 1989.

During time such space is leased to Fought, Fought shall be obligated to pay, and shall pay, the lease payment provided herein.

II.

Fought shall pay the Port \$5,023.56 per month as rent for space leased pursuant to this Amendment.

III.

ARCO agrees to the lease of said space to Fought.

IV.

With respect to the space leased to Fought under this Amendment, all provisions of the Original Lease shall apply between the Port and Fought except the following: Sections 1.1, 1.2, Article II, Sections 3.1, 4.1, and 4.2. As applied to this Amendment, the obligations of ARCO shall be the obligations of Fought. Reference to sections shall include all subsections thereof.

V.

This Amendment shall be effective on May 22, 1989.

VI.

Except as modified herein, the Original Lease, and the Lease Amendment thereto, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 2
this 25 day of May, 1989.

ARCO ALASKA, INC.

By




J. H. Plenger
Project Manager

6/28/89

THE PORT OF PORTLAND

By



EXECUTIVE DIRECTOR

FOUGHT & COMPANY

By



APPROVED AS TO LEGAL SUFFICIENCY

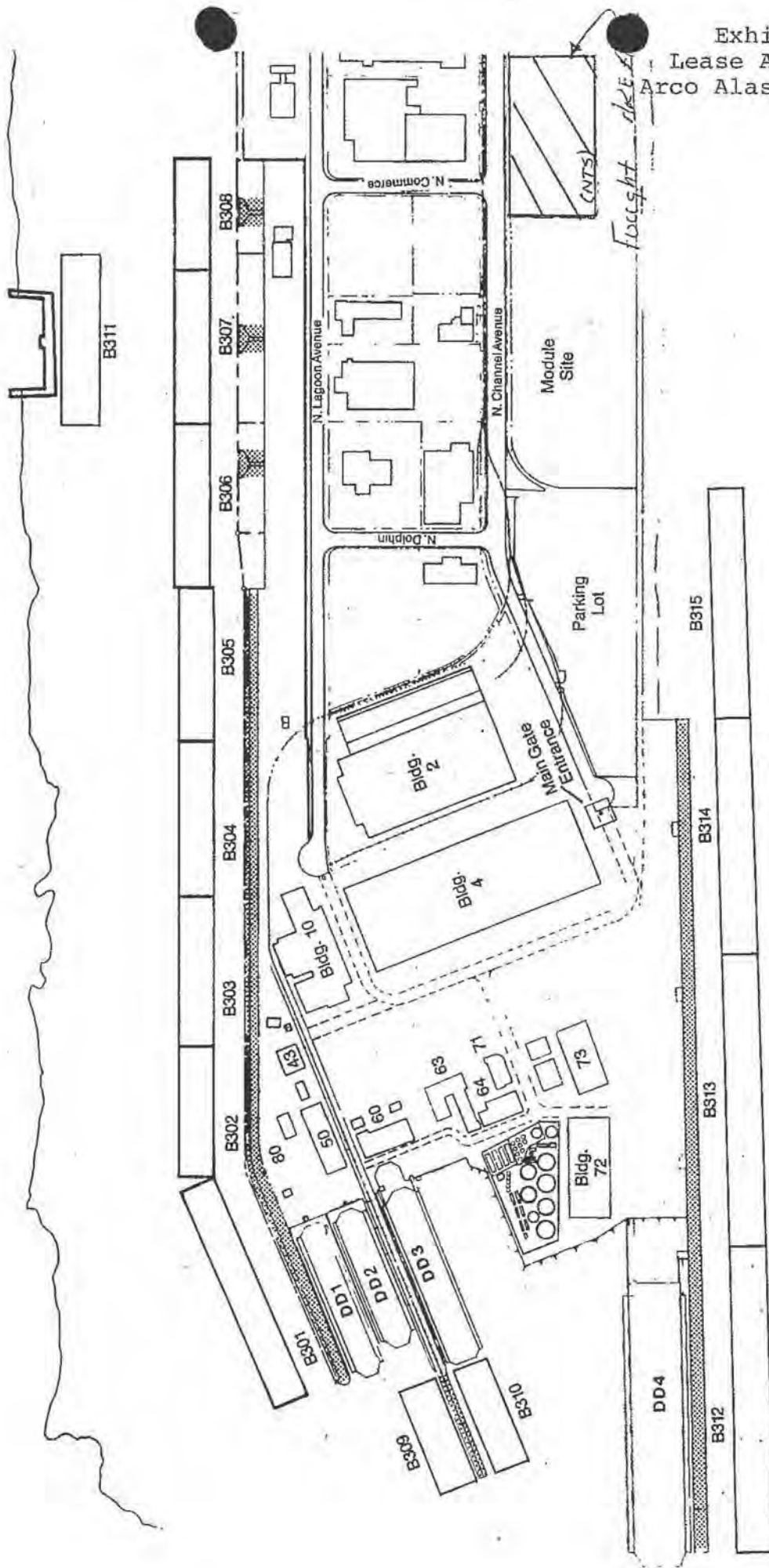


Council for

The Port of Portland

By

11/86



Form No. 581

LEASE AMENDMENT NO. 1

THIS AMENDMENT NO. 1 is entered into by and between the PORT OF PORTLAND ("Port") and ARCO ALASKA, INC. ("ARCO"), and, to the extent described herein, Fought ^{Company} ~~Iron Works~~, Inc. ("Fought"),

W I T N E S S E T H:

WHEREAS, the Port and ARCO have entered into a Lease dated September 6, 1988 ("Original Lease"), said Original Lease being executed contemporaneously with this Amendment; and

WHEREAS, the Port, ARCO, and Fought desire to provide for the lease of a portion of the Channel Avenue Module Site as defined in the Original Lease;

NOW, THEREFORE, in consideration of the mutual covenants herein, the parties agree as follows:

I.

The Port agrees to lease 337,500 square feet of space to Fought and Fought agrees to lease said space from the Port, said space being identified by cross-hatch on Exhibit A. Said space shall be leased to Fought commencing ^{RPS} ~~September 6~~ SEPT 13, 1988, 1988, and ending ^{when mutually agreed to by the parties, but not} ~~later than January 31~~ later than January 31, 1988. During time such space is leased to Fought, Fought shall be obligated to pay, and shall pay, the lease payment provided herein.

INITIAL
<i>RPS</i>

II.

Fought shall pay the Port \$1,168.27 per week as rent for space leased pursuant to this Amendment.

III.

ARCO agrees to the lease of said space to Fought.

IV.

With respect to the space leased to Fought under this Amendment, all provisions of the Original Lease shall apply between the Port and Fought except the following: Sections 1.1, 1.2, Article II, Sections 3.1, 4.1, and 4.2. As applied to this Amendment, the obligations of ARCO shall be the obligations of Fought. Reference to sections shall include all subsections thereof.

V.

This Amendment shall be effective on SEPT 13, 1988
September 6, 1988



VI.

Except as modified herein, the Original Lease, and the Lease Amendment thereto, shall remain in full force and effect.

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IN WITNESS WHEREOF, the parties have executed this Amendment
No. 1 this 6th day of September, 1988.

ARCO ALASKA, INC.

By Jordan J. Dell
for J.H. Berger (WSO)
By _____

THE PORT OF PORTLAND

By Robert T. W. Waddy
Executive Director

¹/₂ Company
FOUGHT IRON WORKS, INC

By [Signature]

APPROVED AS TO LEGAL SUFFICIENCY

[Signature]
Counsel for
The Port of Portland

By _____

08/31/88
4150L:12L279

LEASE

THIS LEASE is made and entered into as of October 22, 1984 between THE PORT OF PORTLAND, a municipal corporation of the State of Oregon (hereinafter "Lessor"), and ARCO OIL AND GAS COMPANY, a division of ATLANTIC RICHFIELD COMPANY, a Pennsylvania corporation (hereinafter "Lessee").

W I T N E S S E T H:

Lessor, in consideration of rents hereinafter reserved and of the agreements of Lessee herein to be kept, performed and fulfilled, leases to Lessee certain land, warehouse space and office space (hereinafter the "Premises") located in the Portland Ship Repair Yard of Lessor (hereinafter the "Park"), City of Portland, Multnomah County, Oregon, a drawing of said Park being attached hereto as Exhibit "A", and by this reference incorporated herein as if specifically set forth, and the metes and bounds legal description of the Premises being attached hereto as Exhibit "B", all under terms and conditions as follows:

1. **TERM:** The term of this Lease shall be for a period commencing on the date hereof and ending on August 31, 1986. The Lessee may, at its sole option, extend the term of the Lease for up to four additional terms of one year each. If Lessee is not in default, each such additional term shall commence upon the expiration of the prior term and shall terminate one year thereafter. Each one year extension may be effected by Lessee's giving written notice of such extension to Lessor at least one hundred and twenty (120) days prior to expiration of the term then in effect. The rentals specified in Section 2C hereof will only apply for the initial term. The rentals for the additional terms shall be mutually agreed upon by Lessor and Lessee at the commencement of those terms but all other terms and conditions of this Lease shall apply to the additional terms.

2. RENT:

Subject to the provisions of Section 6, rent or payments in lieu of rent shall be payable as follows:

A. From the date hereof until January 1, 1985, Lessee shall pay Lessor in lieu of rent specified in Section 2C in accordance with the following schedule:

- (i) \$100 per acre per month for 23 acres of land.